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SDS Official Nedelchev Analyzes SDS, Leaders

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[Interview with Mikhail Nedelchev, SDS official, by Mariana Svetoslavova; place and date not given: "The Actions of Statesmen Are Frequently Manifestations of Psychopathy"]

[Text] *"Semiotic polyglot" Mikhail Nedelchev believes that preserving the SDS [Union of Democratic Forces] in its present appearance is a matter of manly honor.*

[Svetoslavova] Mr. Nedelchev, the declaration on the political conference includes two uncompromising texts. The first reads as follows: Stefan Savov or no one else; the other: Filip Dimitrov or no one else. How can we explain this lack of flexibility?

[Nedelchev] Whenever a parliamentary majority changes in an unexpected and illogical manner, the only thing we can do is to show our strength and firmness. The SDS holds the view that it is absurd, considering that we are the first political force to win the elections, to make the sort of compromise that would render the use or handling of power senseless. The reason is that such handling will take place under a certain amount of pressure and at the cost of compromise, which will mean changes in our political will. This will mean that the prime minister will also be the chairman of the SDS, for such is our political viewpoint. This does not mean a choice of personality.

[Svetoslavova] Would it not be better for the SDS to have some reserve options for management, instead of...

[Nedelchev] The SDS has reserve options, but they do not imply any senseless sacrificing of figures. There is no logic whatsoever in this pressure. This reflects the experience of other people who are using covert means of removing individuals from power.

[Svetoslavova] The logic is the following: In order not to blow up the entire democratic system, as Ivan Krustev wrote in 24 CHASA, simply to replace one fuse.

[Nedelchev] However, the president of the coalition is not a fuse! What matters to us is for the machine to be functioning. To use a metaphor, Filip Dimitrov is the computer chip of the machine and not the safety fuse. If we are to remove a fuse, we would remove Nikolay Vasilev and Vekil Vanov.... We do not replace the computer chip of the machine, for it is there that all the information is stored, there is where the program is, and there is where the decisions and administrative systems are located.

[Svetoslavova] You are unwilling to replace either of the controversial personalities, yet now everyone has started talking about ahead-of-time elections, although no one wants them!

[Nedelchev] Yes, this is some kind of absurdity! However, this absurdity was not triggered by the SDS. What is meant is the existence of parliamentary and extraparliamentary political forces; the president is facing the SDS with conditions that the latter neither can nor has the right to accept, for we are unwilling to betray the interests of our electorate.

[Svetoslavova] But while allowing ahead-of-time parliamentary elections, would you not betray the interests of your electorate, by postponing reform?

[Nedelchev] Such reform would not take place if we had some kind of sleazy prime minister who could be manipulated. That is precisely the aim of some people—to prevent reform from taking place. Unfortunately, the president is participating in this scenario perhaps subconsciously, or perhaps he is angered by criticism. The purpose is to have a weak government that would be dominated by dirty capital, not-yet-dismantled state security and KGB structures, and so forth.

[Svetoslavova] Why has it been repeatedly stressed that the demand for Mr. Stefan Savov's resignation was provoked by the president?

[Nedelchev] Naturally, it was. Months before that, the DPS [Movement for Rights and Freedoms] and the ASO [Alternative Socialist Association], to a lesser extent, compared to Trenchev and all sorts of other people, including the communists, maintained steady contacts with the president. This became a question of the desire to change the parliamentary correlation. What is happening has no logic. We know that very frequently, under the influence of emotions, the actions of statesmen and entire social groups are not manifestations of reason but of collective and individual psychopathy. The thirst for power, for domination, the thirst for revenge.... Such was the case of Dimitur Ludzhev, who, no longer being a minister, set himself the objective of changing the entire group from the outside, through the DPS.... The program he drafted is for the sake of revenge and not for any other possible reason.

[Svetoslavova] Recently SDS leaders have made statements to the effect that they favor dialogue. However, if we look at the documents of the political conference, we note that this refers to a "firm and uncompromising" dialogue.

[Nedelchev] Naturally a dialogue, but not on different topics. We are prepared to discuss any problem, but not a change of our leadership.

[Svetoslavova] But then how do you see a solution to this situation?

[Nedelchev] Even the United States did not permit itself, despite the fact that Saddam Husayn was defeated, to tell Iraq to change its president because he is a war criminal. Yet, what are we being told—we, the winners of the elections? We shall be negotiating with you, but you must replace your leader Filip Dimitrov. How will this

be accomplished? As a woman, can you understand that a man cannot still be a man should he yield to such pressure?!

[Svetoslavova] Mr. Nedelchev, how can we explain the fact that today SDS supporters are split into supporters of Zhelev and of the blues [reference to color of SDS ballots]?

[Nedelchev] This is hardly an accurate classification. We should rather speak of an orientation toward different types of political behavior. Unfortunately, some of our colleagues and partners within the SDS have a liking for a type of political behavior that is not typically party oriented but is oriented toward a party coalition. Such colleagues of ours, deputies, particularly those of the Grand National Assembly, and, today, Dr. Zhelev, rather lean toward a behavior more appropriate for a club, like an apparat. To a certain extent it is masonic. What does this mean? We constantly try to refine our views, to standardize them, to discuss them, and to make decisions on the general coalition level. The individual parties have already done that for themselves. Such decisions become a base for the actions taken by the SDS leadership. For the past two years, however, some people have interpreted all of this as a presentation of views, usurpation of power within the Coordinating Council, and so forth.

[Svetoslavova] Where lies the contradiction in Dr. Zhelev's behavior?

[Nedelchev] I chose Dr. Zhelev but not his advisers. Together with these people, Dr. Zhelev formulates a certain view and expresses it. However, this is not the view of the president, based on his rights, but rather it is a political standpoint. Valentin Stoyanov, the president's spokesman, goes on television and discusses political matters.

[Svetoslavova] Does this mean that Dr. Zhelev has no right to have a team of associates who would express his views?

[Nedelchev] No, it means that Dr. Zhelev has no right to use this team to meet the demands of an internal coalition debate within the SDS, for these people were chosen to serve the state. In this case there is a certain lack of understanding as to what is a party political presence and what is a club membership. The people around Dr. Zhelev think democratically but bear no political responsibility in terms of the coalition structure and its organizational strategy.

[Svetoslavova] One way or another, Dr. Zhelev himself has made a number of critical statements that were interpreted as attacks against the SDS and the government. Do you perceive in his statements even a small degree of truth?

[Nedelchev] What makes you think that I have not personally told Dr. Zhelev some of the things he is

saying? However, saying such things as a head of state, from the outside, and aimed at a political force—that is a different matter.

[Svetoslavova] But is the president not an independent political figure? Why should he not voice publicly his critical thoughts so that they may be heard by the entire society?

[Nedelchev] No one has the right to say that the SDS should change its appearance when it changes personalities! We are struggling here with concepts that are absolutely stupid from the viewpoint of a streamlined SDS coalition. Why does Dr. Zhelev not address himself to the BSP [Bulgarian Socialist Party] and recommend to them to change their chairman because he is contaminated with Stalinism?

[Svetoslavova] It is clear that Dr. Zhelev is involved precisely with SDS problems.

[Nedelchev] In order to act correctly within the SDS, Dr. Zhelev should turn precisely to the Coordinating Council for all things. Let us consider the paradox of the notorious wish expressed by Dr. Zhelev and repeated by the DPS of studying the full transcript of our political conference. This is comical! We are dealing here with 15 tapes, each one lasting one and a half hours. Dr. Zhelev could become familiar with such materials. We invited him to come to "Rakovski" [reference to SDS headquarters] and take a look at them.

[Svetoslavova] In turn, he asked that the tapes be sent to him by special messenger, who would be guarding them in the president's office.

[Nedelchev] We cannot surrender them, for everyone knows that a videotape could be duplicated. Furthermore, we know that the expressed wish to look over the material is the official reason and that this is an official pressure. In the final account, such debates were materialized into clear resolutions, which are much more categorical even compared to the specific statements that were made.

[Svetoslavova] Do you not believe that a small circle of people, the SDS leaders, shape the specific face of the coalition? Are you satisfied with the public image of the SDS?

[Nedelchev] The SDS is not a theater. We did not gather together to love each other or to show our best face. The choice of a party leadership within a coalition is the result of compromise. It is a manifestation of the will of the individual parties. I may not be pleased by a number of things. However, this is the SDS. I am not directing a play.

[Svetoslavova] At the political conference of the SDS an entire part was dedicated to the public image of the coalition. Judging by what the journalists learned, I could not find even a single critical or self-critical remark. Yet society has criticized many features of this image.

[Nedelchev] I too have some objections. Some of my colleagues consider the problem only in terms of how it is to be presented by the mass media in a positive light. My view is that the mass media above all report what they are fed by the politicians. The problem of the public image of the SDS is not the way we are depicted by the mass media but the way we shape its face. One of my remarks is that there is excessive individualization within the SDS, an excessive promotion of some individuals. Some of my colleagues have no strategy for controlling the rhythm of their public appearance, and they risk being considered in lyrical rather than epic terms.

[Svetoslavova] You know that the style of some of the most frequently mentioned SDS leaders has been criticized. Are such things discussed? Do you believe that some statements display arrogance or unceremoniousness?

[Nedelchev] This is a matter of style. This kind of style pleases some of the SDS electorate. I too make use of such a style whenever necessary. I am a semiotic polyglot. A political phenomenon greatly depends on the political moment and on the audience. Frequently a person faces an audience without knowing the style, the intonation, the form that his statement will take. This is like a declaration of love: As he speaks, the person often realizes that he has made either a much more categorical or a much milder statement than intended.

[Svetoslavova] One way or another, some SDS supporters are bothered by the style of behavior that is being imposed. Marko Ganchev also expressed a similar idea on television.

[Nedelchev] He is to be pitied. I value him exceptionally greatly as a literary colleague. However, I think that he has turned hateful and is unable to make an accurate political evaluation. He says politically illiterate things. Our supporters show their sympathy for the entire range of parties and organizations within the SDS. If one of our supporters does not like Georgi Markov let him support someone who is soft and gentle on the outside, like Snezhana Botusharova. Let our supporters realize the complexity of the SDS. The magic of the SDS is that if one party or individual within it would like to dominate it, the very logic of the existence of the coalition would strike at that individual and push him back.

[Svetoslavova] How can we explain the democratic nature of the "sworn statements" that the deputies must sign?

[Nedelchev] Why "statements?" I am amazed at the reactions in the press and of some of my colleagues! What should be said is the following: When a person has a different viewpoint on a major draft bill he must report this to his own parliamentary group and ask that his view be discussed. If the problem is not all that important, let people vote their conscience. In the British Parliament there are particular individuals who see to it that party discipline is observed in voting.

[Svetoslavova] But you are not a party!

[Nedelchev] We are a coalition! We are not a parliamentary union but a single parliamentary group. Look at parliamentary practices throughout the world. Whenever a bill is submitted, the results of such a vote is known in advance.

[Svetoslavova] According to Dimitur Ludzhev, the deputies are subject to party and ideological pressure.

[Nedelchev] People like Dimitur Ludzhev, antiparty people, twist this problem and insinuate to the public that this is a violation of democracy. In parliamentarianism a party decision is binding!

[Svetoslavova] Has Mr. Sobadzhiev been undemocratically "frozen" because of his criticism of the SDS?

[Nedelchev] That depends on the way you criticize: whether you do it inside or in interviews, saying that the Coordinating Council is a "doting Sanhedrin."... I do not consider myself senile! Furthermore, I have read hundreds of books more than Mr. Sobadzhiev and my political knowledge is incomparably higher than his.

Tomov's Style, Relations With BSP Officials

93BA0092A Sofia 168 CHASA in Bulgarian 13 Oct 92
p 17

[Article by Ivaylo Danaliov: "Alexandur Tomov—A Friend Among Foreigners, a Foreigner Among Friends"]

[Text] *The good wolf, Lupi, has disappeared from the forefront of the political scene, but he maintains a high rating and his perimeter of action.*

"Things are neither optimal nor have they reached the halfway point for me. I look at my political life as a long-term matter and do not like to hurry," says Mr. Alexandur Tomov.

He thinks that the time of hurried matters must change, that the times of people who make a profession of attending meetings, of negative politicians, of leaders who accidentally fell into politics, will come to an end. "If Bulgaria has need of professionals, it will find them. If I am not one of them—there are many paths. Therefore I am at peace."

Alexandur Tomov, 38 years old, Taurus, 184 centimeters, 84 kg, with two daughters, appeared on the political scene at the beginning of 1990. Always ready for dialogue and to make an attempt at agreement, Tomov successfully maneuvered between the hardliners in the former Communist Party and the OSD [Alliance for Social Democracy], and at the same time he is one of the few politicians of the opposition who carry out normal discussions with those in the government. This is probably due to the fact that Tomov has avoided idealizing matters. Of course, when he was deputy prime minister, this did not stop him from defending the interests of his own party very capably.

An economist by education, in 1979 he became an assistant, and in 1987 he became a lecturer. He specializes in macroeconomics. From 1979 up to now he has taught—with an interruption last year when he was deputy prime minister. From 1986 to 1989 he worked as an adviser to the Council of Ministers. He participated in the development of the Law for Economic Activity. "Unfortunately, for political reasons it was limited and ultimately castrated. Order 56 was retained," explained Mr. Tomov. In the spring of 1989 he made an analysis for Georgi Atanasov, who was prime minister at the time, in which he showed that the economy was blocked for political reasons and that nothing could be done without a change in it. The report got lost somewhere.

However, a little later, on 6 July 1989, Georgi Atanasov assigned another report to him under secret conditions. It is said that it was one of the few reports dedicated to the forthcoming fall of Zhivkov. "Unfortunately, the report came into use only in December, and then only partially," says Tomov.

"I have never had faith in serious dissidence, especially in Bulgaria. I simply believe in reform," Tomov has asserted. He does not have faith in the revolutions at the end of the 20th century: "They lead more to arrest than to progress." He believes in peaceful, deliberate changes that are built on a consistent and professional basis.

Infinitely vain and intelligent, Tomov tried to prove himself when he was deputy prime minister. A fair number of people were surprised by his appointment, but it was done according to law. He was first chosen as a deputy in the great National Assembly. One small detail is the fact that the Bulgarian Socialist Party (BSP) had proposed him so that he would lose. He was an opponent of Viktor Vulkov, of whose party he was still a tacit semi-ally. The young socialist Tomov participated in the elections in a majority region and was not included in the proportional lists. Surprisingly, he won—17,000 votes for him as opposed to 3,000 for his competitor.

In October 1990 he was elected as vice president of the BSP. He came into his own after the retirement of Lukanov. It is asserted that no one from the leadership suspected it because there was no reason, as in the case with Mladenov. The recent changes in the BSP happened at that time. Just a few hours before the declaration of the first noncommunist "government of hope," Tomov was proposed and became deputy prime minister. Initially, the BSP proposed Georgi Pirinski, but Al. Yordanov, Kostov, Pushkarov, and others from the SDS [Union of Democratic Forces] had decided that since Lukanov had fallen, his people could not be in the new cabinet.

So the star of Alexandur Tomov burned out. The BSP and SDS did not have anything against him. Actually, at the time all members of the government were perceived as "victims." The cabinet was expected to fall in a month or two.

The government has been in operation for nearly a year. Alexandur Tomov keeps an eye on perhaps the most difficult fields—power engineering, agriculture, public health—and, together with Ludzhev, security and defense.... The crew of the BSP in this government is fairly strong and professional. They are perceived as part of the change, but probably for that reason almost none of them made a career later on in his own party.

"I will never forget that when we completed our term we had a fairly decent rating among the public. This means that we had not deceived the people," Tomov says. According to him a post is good for politics when it is accepted with confidence. "If it is a torment into which you are thrust with a stick, you are oppressing the people and only embittering them—that is really a misfortune. That is something I will never do."

In the government, Tomov relied on dialogue. Throughout the entire time there was a "noble competition" with the other deputy prime minister, Dimitur Ludzhev, especially in their appearances before the media and the public. Their rivalry for journalistic attention and for popularity among the gentler sex is memorable. At times the competition changed into open conflict, but in the final analysis they succeeded in achieving agreement on many matters. No decision of the government can be taken without agreement of the two deputy prime ministers. Popov signs after that

Ivan Kostov is another unexpected partner of Tomov. The two respect each other because of their professionalism. Simply neither was able to fool the other. They get along well in situations when everything is on the line.

In the recent congress of the BSP, Alexandur Tomov withdrew from contention for the Presidency. "I did not want to be hostage to a trend that I believe to be in error, and besides that I had decided ahead of time that I would give priority to Pirinski," he declared.

It is hardly possible to deny that Tomov has independent political ideas and an independent style of behavior. In the parliament he expresses himself concisely and to the point. This obviously irritates some of his fellow party members. Perhaps this is why they often accuse him of careerism, collaborationalism with the SDS, treason, and "another line." According to him these are frivolous intrigues, and with openness and publicity lies always turn against their authors.

It seems that rumors and stories do not influence the former deputy prime minister and his self-confidence. After the fall of the "shadow government," many journalists are speculating about what Alexandur Tomov is doing now. Some say that he is writing a book, others that he is preparing a new party. However, the majority are unanimous that something is being done.

One of the creators of the OSD and its vice president, Tomov today remains the last of the leaders of the reform movement in the 1990's who has not left the BSP.

In the OSD itself things are not proceeding in the best way or at least as well as they began.

The question is what will be the next step of the good wolf Lupi. And there will be a next step....

Record of Presidential Meeting on Mishev Affair

93BA0129A Sofia DEMOKRATIYA in Bulgarian
20 Oct 92 pp 4-6

[Report submitted for publication by a group of deputies from the Union of Democratic Forces, SDS, who are also members of the National Security Commission. Parts containing state secrets have been deleted. Submitted on 19 October 1992 by the following: Nikolay Slatinski, Vasil Mikhaylov, Georgi Panev, Nino Stavrov, Stoyan Raychevski, Vasil Zlatarov, Khristo Biserov, Dimitur Kumanov, and Vid'o Videv: "Intelligence, the President, and the Government"]

[Text] *The following is a transcript of a recording of the discussion held on 2 October 1992 in the premises of Mr. Zhelyu Zhelev, president of the Republic, transmitted to Prime Minister Filip Dimitrov by the president's office.*

The conference opened with a report by General Brigadir Asparukhov on the data at the disposal of the National Intelligence Service on this case. The report cannot be made public because it contains some operative-technical data that are not directly related to the essence of the problem, and which are classified as state secrets. According to NRS [National Intelligence Service] data, Konstantin Mishev, adviser to the prime minister, held talks with high state officials "on the personal instruction of the Bulgarian prime minister."

Participants in the meeting: Some of them wanted to keep everything confidential, while others wanted the entire truth to be told: Zhelyu Zhelev, Filip Dimitrov, Svetoslav Luchnikov, Nikolay Slatinski, Dimitur Yonchev, Yordan Sokolov, Ivan Palchev, Stoyan Andreev, and Brigadir Asparukhov were present.

F. Dimitrov: Is this your information, Mr. Asparukhov?

Br. Asparukhov: Yes, this is the information!

F. Dimitrov: I think that this information provides sufficient reason to note that the National Intelligence Service is either engaged in meaningless activities or is deliberately seeking provocations. Such data, pathetically presented by Mr. Asparukhov, do not include anything more than that with which you personally are quite familiar and with which Gen. Andreev, as member of the Arms Control Commission, is equally well familiar, and which is known to the ministers and the other cabinet members present here. In itself, this would have been ridiculous had it not have been, and let me emphasize the word I am about to use, disgusting, the fact that such a disgusting—let me emphasize this word—insinuation is being made, stemming from this affair.

You know very well, all ministers know, that between April and May, through a variety of channels the Bulgarian Government received signals that offers were being made by some undetermined Bulgarian companies and undetermined Macedonian sources concerning the arms trade. You also know very well, for I have spoken on this issue, that by a decision that, together with Minister of Trade Pramatarski was made, notifying the other members of the cabinet and informing the Arms Commission, said company whose name, which was the individual (...), for which data exist that it is somehow linked to the company (...) and about which it is known that its personnel, i.e., that the biography of the individuals who head this company is familiar, is engaged in some kind of talks with (...). The way they formulated the question to Minister Pramatarski was that it would be most natural not to send a minister to hold the discussions on this issue but to send Mr. Mishev, my authorized representative, to determine the nature of the issue. Determining the nature of this bid was the subject of a discussion between you, Mr. President, and myself! This was commented on by the National Security Commission, as Mr. Andreev should recall, and the view of an outside ministry was requested on whether such a deal could constitute a violation of the embargo, and discussions were personally held between me and the representatives of (...) on how this bid would be assessed, for as you are probably aware there is a UN resolution banning any arms trade with Yugoslav republics. Let me point out that in this respect the views of the various envoys varied in terms of firmness but that, in the final account, the Arms Commission took the view that at the present time such a deal would not be proper. As all people who are here very well know, thank God, Mr. Asparukhov did not go so far as to claim this, for such deals are based on licenses issued by the Arms Commission, i.e., everything that is being said here, in this room, could appear like a harmless story unless, unfortunately, in the context of what is taking place currently and, based on the behavior displayed by Mr. Asparukhov, I tend to view this as a provocation.

Zh. Zhelev: Gen. Andreev, as a member of the commission, do you have anything to say?

Gen. Andreev: As regards the discussions (...) I can say only one thing: Arms procurements are not made by the commission but by the companies. The commission may or may not issue a license and make a decision on this issue....

F. Dimitrov: On the basis of the information it has at its disposal....

Gen. Andreev: That is the only authority of the commission. I do not recall at this point whether precisely, in principle, concerning (...) whether there was a discussion or whether it should be considered, it should be resolved that this matter is emphatically of a political nature and it is not within the authority of the commission, but that diplomats should participate, although such discussions....

F. Dimitrov: If you will recall, we discussed with the diplomats the contacts.

Gen. Andreev: Yes! Now, as to such a (...) company, whether it obtained a license or not, I have not participated in only two meetings of the commission....

F. Dimitrov: Did we grant it a license!

Gen. Andreev: Such a topic was not considered. Therefore, at the sessions that I did not attend I do not think that such a decision was made. It is possible that a decision was made, but I believe that the commission did not issue permission to that company in Blagoevgrad, so that that company, to the best of my knowledge, although there exist established reputable companies, state companies, state and mixed companies, although such companies no longer exist and no license has been issued, as to that (...) company, I have never heard of it. Therefore, although I am not familiar with the details, I would like to determine what this (...) company permitted itself to do subsequently, to what degree did it participate in discussions and talks, was there any contract? I am nonetheless interested in the extent to which Kos'o Mishev participated as member of such an expert commission, (...) for this is a serious issue.

F. Dimitrov: Excuse me for speaking again, but let me repeat that all of this would have been an innocent matter and we could have classified it as basically a waste of effort by the National Intelligence Service, which is unaware of written rulings formulated on this matter by the Ministry of Foreign Affairs, and that this matter was discussed by the commission, and is wasting its resources, including money, most likely, to engage in such investigations, had matters not been presented in this context. Mr. President, I believe that this is a disgusting provocation and insist that the moment we leave this room, you would consider your attitude toward the chief of the National Intelligence Service, whom you appointed.

Zh. Zhelev: Let us get to the essentials!

F. Dimitrov: This is very much the essence of the matter!

Zh. Zhelev: Before we draw conclusions concerning individuals, are there other views?

Br. Asparukhov: Let me clarify this once again: This was the presentation, written (...).

F. Dimitrov: There is no argument about this!

Br. Asparukhov: Mr. President, I do not believe that the National Intelligence Service has wasted its time. I simply want to clarify fully the chronology of the received information (...).

F. Dimitrov: But no one is arguing about this!

Br. Asparukhov: I have no information as to who discussed what with whom and what is the opinion of the government. I did not participate in any discussions on

the matter of weapons or the procurement or nonprocurement of weapons. The main task for me is to follow up actions of Bulgarian private, government, or any other companies abroad, and to report any information on arms deals. We obtained information that a high state official was there and discussed matters of weapons. It was my duty to report this fact immediately.

F. Dimitrov: You are making statements instead of asking the prime minister of this country what is this all about!

Br. Asparukhov: Without delay! On the 18th I reported to Mr. Zhelev, the supreme commander in chief, that we had basic information that an unknown high state official, (...), had discussed weapons. I immediately suggested that we determine what was going on.

Man's voice: Ask!

F. Dimitrov: Mr. Asparukhov, you made three statements without asking the prime minister of this country what it was all about!

Zh. Zhelev: Let us hear the people out, nonetheless!

Br. Asparukhov: After we received the information, we had to raise the question of the source and determine who this high state official was. Possibly a private individual may have claimed to be such!

Man's voice: Well, ask!

Br. Asparukhov: This led to Mr. Mishev. As to further developments!... I know that it is inadmissible for Bulgaria, finding itself at this delicate point in its relations in the Balkans, to allow itself the luxury of exporting arms.... We cannot allow ourselves, during such a critical time, when the public is still looking at Bulgaria mistrustfully, to conceal such a trip. That is why we did it. As to qualifying this as a provocation, I categorically reject this, for which reason I eagerly and properly responded to all attempts at either publicizing or mixing up the name of anyone prior to acquainting you with the fact, in the presence of Mr. Zhelev. I insist now as well that this is operative information. It is of legal importance and that is precisely the way I formulated it. It must be heard by the competent authorities, who must issue their ruling. We do not accuse Mr. Mishev of any crime or of intending to commit a crime. We have determined and are reporting the fact that he has discussed the matter of weapons in (...).

F. Dimitrov: Mr. Asparukhov, it is obvious that it is difficult for you to perform your functions considering that your contact with the president, who is aware of the circumstances, and with me, as prime minister and the entire government, in dealing with this issue, and with some of its other structures, such as the Arms Commission, are so difficult. Simply in order to be able to function, a person in your situation should obviously have to have the necessary contacts. I shall not discuss

the means you are using in dealing with the media, for this is a complex topic. You held a news conference, and this is good...

Br. Asparukhov: I did not hold a news conference!

F. Dimitrov: You should at least ask before making statements, whether or not I gave them to the press, Mr. Asparukhov. The question is whether, instead of following this path, you had wanted to somehow ensure for yourself the support of the media, fearing that you would be treated God knows how. If this is what you did I would be the last person to blame you. However, from that point on there is a basic procedure that you should have observed. Namely, you had to find out or at least try to find out whether there were some data on whether the government had discussed such matters on this issue. In the final account, your information is quite interesting from this point of view as well, and I can assure you that this is something on which I will no longer make any statements, and I can assure you that the categorical nature with which various Western countries have reacted to this issue has been quite different. However, since we want to be viewed as being very clean from any possible viewpoint (and this is the position of this government), therefore, assessing the various matters in the final account, and after having obtained a competent answer from the ministry, and the viewpoints of the commissions, and so on, we made this decision. What is comical is that you begin to feed information to the media when the issue has already been totally resolved by the government. You are telling me that this is no provocation, but if that is not a provocation it is a case of hopeless incompetence, if you will forgive me.

Br. Asparukhov: Mr. Prime Minister, I cannot agree with such an assessment, for the simple reason that (...).

F. Dimitrov: I am referring to the fact that the decisions of the commission are public (...).

Br. Asparukhov: (...) I cannot turn to the commission for control over the production of military (...).

F. Dimitrov: You are a state official and you could turn to any member of the administration in a proper and polite manner.

Br. Asparukhov: (...) and to demand of it information as to whom it has issued a license or not issued a license. When I reported on (...)

(Several people talk at the same time.)

F. Dimitrov: That is why there is no need to turn to it, for this has been described in open sources. What I mean by this is that the decisions of the commission are public.

Br. Asparukhov: I do not know what you mean by turning to someone, for whatever information I obtained I reported, and I had to make it entirely clear. I repeat: I neither accuse anyone nor pass a judgment on anyone.

F. Dimitrov: Obviously, there could be no question of this.

Zh. Zhelev: We are gathered here and, so far, no one has mentioned a name!

Br. Asparukhov: In addition to the fact that the company (...) was pointed to us by our source. We could not explain why all of this was done in this manner. (...) seven or eight meetings held by that company, that private company; what if it were to violate the law and export arms?

F. Dimitrov: It could export weapons, as you probably know, without a license, illegally, and at that point it would be caught by customs and properly punished. If you are interested, this was precisely one of the concerns we discussed in the commission. It was precisely for this reason that Mishev was assigned there, on my instructions, as I mentioned, with the knowledge of the ministers we mentioned, although this was not necessary. Simply, we are working as a team, and we inform one another of our actions so that we can see what the questions are and what is happening, since the information on this case, which I gather you also possess, was not all that secret and could have reached me, and was also a topic discussed by the Council of Ministers as early as May—I am sure that it was May, for it was precisely when we were commenting on the resignation of Mr. Ludzhev—and when we realized that some questionable entities were offering some kind of a deal to (...) (several people speak at the same time).

Br. Asparukhov: It was precisely such questionable behavior by the company and the visit by a high state official (...)

F. Dimitrov: This was in May, Mr. Asparukhov!

Br. Asparukhov: (...) for us this was of legitimate, of professional, interest. We had to determine his identity. We are reporting a fact that, in itself, neither accuses nor blames.

F. Dimitrov: Forgive me, but I must express my admiration at your skill at communication—this comes after a five-month delay!

Minister Luchnikov: Precisely. It deals with economic activities. I have a very good impression from this discussion and the fact that the National Intelligence Service is not watching over the activities of the government and ... the commission for the production and trade in armaments, for had it kept the government under observation, which in my view would be outside its authority, it would have been familiar with these decisions.

Zh. Zhelev: It deals with matters abroad!

Luchnikov: Precisely. It deals exclusively with foreign matters. However, the improper action in this case is different, it is that without knowledge of this fact, it

permits itself to mention in its leader's face the name of some adviser of the prime minister, something that already (...)

Man's voice: Of the government!

Luchnikov: Well, the government, perhaps this may be directed at some of my advisers, and I do have such advisers!

Zh. Zhelev: Could be your own adviser!

Luchnikov: However, Mr. Asparukhov, you must agree that it would be improper to report this, for sometimes a hint is more dangerous than naming a specific name, for a hint could pertain to dozens of people, whereas a specific name affects only one person. It would be incorrect, and I believe that at this point we must agree that it is incorrect and see to it that this is not repeated.

F. Dimitrov: Please let me speak again, for that which Mr. Luchnikov said is not entirely accurate. It is not a hint, it is simply a lack of proper behavior, for in your presence and, it seems to me, in the presence of Gen. Andreev, we discussed the case of the trip taken by Mr. Zdravko Popov, a story which (...)

Zh. Zhelev: Not in my presence; I personally invited you and informed you of this.

F. Dimitrov: Unquestionably, but what I am saying is that the information was reciprocal. However, this is a different subject. My idea is that you, together with Mr. Asparukhov, in your presence, and I discussed this matter also when the activities of the company ... were being discussed and when I, quite puzzled by the rather scant nature of information in this affair, which was presented at that time, asked Mr. Asparukhov whether he knew anything more of the contacts that this company had abroad. At that point Mr. Asparukhov began to talk in our presence of the interest shown in Macedonia, in your presence, and not, something which I recall very well and hope that Gen. Andreev recalls as well, because this was not done in the commission but in the course of a discussion in the office of the president, that I recalled this affair (...).

Zh. Zhelev: I remember asking something about Macedonia. Are you aware of this?

Man's voice: I answered this question, after which I asked Mr. Asparukhov (...)

F. Dimitrov: I recall this very well, and I hope that Gen. Andreev will recall it as well, for on this subject—it was not with the commission but in a discussion in the president's office that this was discussed—I said, "wait, wait, there is no point in talking about Macedonia, you know very well that ...," I remembered this case but tried (...)

Zh. Zhelev: Because I remember, I asked whether you knew something about Macedonia? And to that question (...)

F. Dimitrov: I answered that question, after which I invited Mr. Asparukhov to search his memory as to whether he had information concerning the activities of ..., older information which (unintelligible sentence). I am saying this not in order to try to remember who said what, for this matter was mentioned exclusively in the presence of Mr. Asparukhov, including naming Mr. Konstantin Mishev, for which reason I continued to believe that the publication of such information in a newspaper one and a half months later cannot constitute anything other than provocation. I insist on such a qualification.

Br. Asparukhov: Mr. President, the chronology of events (...) (several people speak at the same time) (...) I just now clearly told you that our information dates from the middle of August.

F. Dimitrov: Given the lack of a record we cannot discuss the details of who said what. In any case, you were asked about this matter and I said that the government is aware of it and I think that I mentioned Mr. Andreev's known (...) (unintelligible word).

Zh. Zhelev: I, too, recall this.

F. Dimitrov: I did not ask him this question. I laughed when he answered me about Macedonia, for I was asking him about (...). Because I know what it is a question of, for I think that Mr. Asparukhov as well should have known what it was a question of, as it was eventually established.

Br. Asparukhov: Mr. Prime Minister, we spoke exclusively about (...). Mr. Sokolov, the minister of internal affairs, knows very well that I have all the information, on the basis of which we asked also (...) the MVR [Ministry of Foreign Affairs] on the trip by (...) a group of merchants who deal mainly in weapons, and this group, which included Mr. Popov, and I categorically cannot say more, that he did not participate but was used as a screen. With these letters, Mr. Sokolov can claim that we wanted to formulate (...) to develop in accordance with all the rules of counterintelligence activities, for which reason in the "Zdravko Popov case" we discussed strictly his case. I am surprised despite the seriousness of this matter that you rated my activities as social.

F. Dimitrov: Matters are very serious, but (...)

Br. Asparukhov: We come at this point to a very essential feature, a matter that I intend to address, and this is whether I acted properly or improperly. I already answered that I believe my clarification of this matter as proper, and emphasize once again that I am not accusing anyone, but that this is a kind of information perhaps resulting from the lack of counter information on my part, on your part, or on the commission's part, which I cannot assess, the result being that I cannot work on or be interested in the activities of any state institution here. Why? I did not hold a press conference on 18 September. It was not held at my request and I did not participate in it. I was invited on the 17th of September.

Thursday, from Sofia Press to participate in this press conference. Everyone knows that the eight participants, with the exception of (...) Petrov, were directly involved with the MVR. We were invited and I accepted the invitation as a representative of one of the country's institutions involved in ensuring national security.

(Several people speak at the same time.)

Br. Asparukhov: We are given information that is not to the liking of many people. However, we have no intention of concealing it. I stated this, the recording shows that (...)

F. Dimitrov: Once again, such words are an insinuation.

Zh. Zhelev: This is not an insinuation now.

F. Dimitrov: Perfect. Mr. Asparukhov just said that he does not accuse anyone yet the information is detrimental, so what are you talking about?!

Br. Asparukhov: I say that it is essentially unpleasant to all. Now as to the "Zdravko Popov case" and his group, the president knows (...)

Man's voice: What group?

Br. Asparukhov: (...)

Zh. Zhelev: Let us not (...) This is a different issue.

Minister Sokolov: In this case (...)

Br. Asparukhov: See, (...) we could argue as to whose information this is, although (...)

The question here is the following (...)

Zh. Zhelev: Let us not discuss this matter—this is a different issue.

Br. Asparukhov: The "Zdravko Popov case," which came out in the press, was not supplied by the intelligence service, for which reason we reached this cataclysm. It was tabled, and properly so, for it damaged the reputation of the president. In the second case we did not wish this to happen, and insisted that the information be kept within a narrow circle (...), according to which a high official participated in discussions on such a deal. I could not know that he was your messenger and that he provided the information. I cannot keep such information to myself....

Minister Sokolov: You are speaking of a narrow circle, after having said this at a press conference!

Br. Asparukhov: I did not name anyone at the press conference! (Several people speak at the same time, people are asking that the others listen, and that this issue be tabled.)

Zh. Zhelev: The service properly sensed something and took off. It turned out that the situation was different. I believe that this clears the issue. If the prime minister is satisfied, an apology by the chief of our (...)

F. Dimitrov: To begin with, the apology must also include the substance of the matter!

Luchnikov: A statement that no government adviser has been exposed of having done something improper.

Slatinski(?): Simply, it is that here we are faced with a problem, and I do not know whether this institution can allow itself (...), it is a fact that at that press conference a blow was struck (...)

Man's voice: Someone became involved in the illegal arms trade!

Slatinski: Whether such is the case or not, the government has been accused. If such an accusation is true it means that the government has indeed suffered a very serious blow. If it is untrue the blow is actually aimed at the institution that is responsible for (...), for such an institution has permitted itself to attack the government. It is simply (...)

F. Dimitrov: The formula is "involved in the illegal arms trade."

Slatinski: Indeed, this is said so clearly as to be a tremendous slap in the face. How dare that institution, an institution that has the least right to hasten to hold a press conference and make such facts public. I too insist that Mr. Asparukhov should at least assume the responsibility for having mentioned this at the press conference. This means that it is an attempt at (...) of the Bulgarian services, and the fact that this was done by the head of the intelligence service, that he said it at a press conference, in my view has no relation to morality or to the law. It simply does not relate. All we need now is for the heads of intelligence services, once they find something, to rush to announce it at a press conference. I cannot understand why this happened. That is precisely why I say that the atmosphere and the intent of that press conference were bound to lead to something. They led to the statement you made. Let us not even mention that other stupidities were also said. They, however, should be the subject of a separate discussion, as they affect other ministers and other institutions. Some of the statements also damaged the minister of internal affairs and the minister of defense in an entirely improper way. This is a different case, against the background of all such stories and hysterics involving arms deals. This is an attempt at revenge because of the things we said about these companies. It is simply an effort to counter a blow with a blow, at least that is the way I perceive it.

Zh. Zhelev: What companies are you referring to?

Slatinski: I am referring to what the government said. You are simply sending the ball to the other court, making you similar to those about whom we are saying such a great deal, (...) doing everything in the open, and here are your people who are watching and, generally speaking (...) how is it possible for such a trick, such a twist, I simply cannot understand.

Minister Sokolov: I would simply like to ask a question. The way I see it, he says that no information was provided by the Arms Commission or the government, for only outside sources were used. Is this true? Does your intelligence service not use internal sources?

Br. Asparukhov: We willingly do, if such information is voluntary!

Sokolov: In other words, you do make use of them!

Br. Asparukhov: We do not recruit Bulgarian citizens. I strongly emphasize this!

Sokolov: I am not asking about (...) and when I say Bulgarian citizens I include institutions. I too believe that this is a very serious matter and that in this case something was conceived and implemented with a very specific target in view. To begin with, as I have already repeated several times, I do not wish this to be interpreted as any kind of personal attitude on my part toward Mr. Asparukhov. My feeling is that he is underestimating all of us here today, starting with the president. Some kind of myth is being developed surrounding the National Intelligence Service, in the same way that a myth is being created by the personnel, the high officials of the National Security Service, that they are dealing with such professional matters about which no one has any understanding. And we are asked to accept all that we are being told as being the exclusive full truth.

Frequently we are offered what I would describe as naive statements and naive explanations.

As to this case, had there not been this statement made at the press conference, which I will discuss briefly, it would have been a laughing matter. We have long had (...). I have approached you on several occasions on this matter and we have agreed that it is absolutely not sensible for us to sell weapons and, if you will recall, I issued an order, an order that remains valid, that even transit shipments and shipments from domestic sources, which are sealed, should be checked once again before they leave the country, for we already have two cases, including the case with Tchombe, which involve criminals (...). In other words, each TIR [International Highway Transport] vehicle should be checked and each parcel should be unsealed and then resealed. I personally have reported to Mr. Filip Dimitrov and on three occasions have received offers (...). Even the other day I received a proposal for the first-second or the fifth-sixth, and I answered that we cannot think about the first-second or the fifth-sixth and that later, eventually, we could consider (...). We personally have in our files data, as Mr. Asparukhov knows, for such data are submitted to the NSS [National Security Service], showing that there was a company that had discussed and promised to export (...). On several occasions, our control commission has discussed quite openly the question of whether to sell or not to sell.

To begin with, the factories themselves would jump at it, considering their economic situation, which at present is

a major problem for our economy, as well as being a social problem. Second: We have (...) data according to which (...) somehow, and I do not even exclude the fact that through some channels across Bulgaria, which unfortunately are functioning, Bulgaria could take over this market. The only thing that has been stopping us has been its purely political aspect (...).

Sokolov: Therefore, these are issues that we have repeatedly discussed, and now, if you will pardon me, we have the NRS saying "we have an outside source and we had no possibility either to ask the government or the commission or any minister outside or inside."

F. Dimitrov: If you will allow me a remark, at the same time we have been pressured by some circles in Bulgaria who, for reasons of (...), are pressuring the government, so that, from the domestic political viewpoint, we must determine clearly what we are dealing with. Naturally, it is inappropriate for a minister to go, which is why an adviser was sent. On the basis of such clarification, if you will, we would thus be ensured, with the help of such contacts, which are being developed (...). However, you know that the political situation is such that we cannot take this step.

Sokolov: Indeed, there was operative information (...), which we are discussing: (...) and we did not know which were these companies, or was there already a target, and the source from which they would acquire such major weapons without a license. It is not a question of pistols or something else, and this is what leads me to the issue of that press conference. I find it inadmissible for the head of an intelligence service to make such statements public. Whether it is about an adviser, whether it was said at a cabinet meeting or to the Council of Ministers or the prime minister, to me this is of no importance. To a greater or lesser extent, advisers must obey the general rule, which is that they advise the Council of Ministers. I do not know whether the table of organization calls for an adviser to the prime minister, an adviser to the government, or an adviser to the cabinet who could come out with such a statement at a time when the country is truly on edge. What was being concealed and for what purpose was it being concealed? I do not know your view concerning this press conference, which was truly inspired from this place, regretfully, and held in a way that can be harshly criticized. Directors of national services show up to discuss such problems. Some of them even prove to be incompetent about the problems they are discussing, but come out with some views that have been much or less prompted to them. It turns out that the director of the National Police, who had come to me with a complaint, as I already told you, was unable to fire even a single person, for he could not look at him in the eyes even when such a person deserved to be fired. Ever since he became director of the police his blood pressure has risen to 180 over 130 and he wants to resign for reasons of health.

Zh. Zhelev: His reasons were different—let us not talk about this.

Sokolov: Do not interrupt me! (Turning to Gen. Andreev) Let the president interrupt me! (...) are yours, not ours!

Gen. Andreev: I will tell you if they are mine.

Zh. Zhelev: Let us speak calmly!

Sokolov: Yesterday, for example, we commissioned the first group of graduates of the National Police School. The director of the National Police was not present, claiming to have been busy elsewhere.

Zh. Zhelev: This is nothing but scandalous!

Sokolov: But that is how it is! The director of the National Intelligence Service speaks out at a press conference, although to this day he is unable to realize that he is being manipulated, precisely because he may have not become suitably involved with this service. This also includes what we are discussing. When it is a question of border control files of people who have left the country or who have returned, by allowing other services related to such activities to be used he takes the position that this information may be used for political purposes. Again yesterday I said in an interview that the press would tell us about any politician when he left the country and when he returned, and that there is no need to check the files. Let me say in conclusion that topping everything else were attacks aimed at the minister of internal affairs. Bear in mind that I found this surprising and unpleasant but that I was not too concerned for the simple reason that I am absolutely convinced that the advisers at the Presidency, to begin with, are unfamiliar with the law on the MVR [Ministry of Internal Affairs] which deals with all such matters, whether adequately or not, but quite specifically, in terms of such relations, so that there can be no argument as to who holds what position. A minister is a minister. The minister can easily deal with officials who are not clearly familiar with their duties, but that is not the issue. We have the case, however, of this statement made by Mr. Asparukhov, aimed at the government, for the absolute purpose of incriminating the government, and the connection that, in my view, Mr. Slatinski expressed accurately, but which I may not have been able to make. That is precisely the case. When the government disclosed things that should have been disclosed by the NRS, it even turned out that I personally was not familiar with the fact that some three or four months ago the entire Polish press was in a turmoil caused by similar issues. We received no information whatsoever concerning those same companies and those same individuals who had already then been detained, some of whom had already been sentenced by the courts. When such an inadmissible thing was disclosed—making deals by fax, without original copies, and when it was unquestionably established that all certificates were forged, let us not go on, and as to where they went (...) that is not the problem! All of a sudden it is being asked "what is this government doing?"! On the one hand, it almost comes out with the view that everything should be disclosed

and clearly stated, and that there should be total openness. And then suddenly secretly, some adviser or an adviser to the prime minister does the same thing (...)

F. Dimitrov: Involved in illegal trade!

Sokolov: Illegal trade with this.

Zh. Zhelev: Mr. Palchev has the floor.

Palchev: Such unpleasant discussions are due to the lack of unity of thought between the basic institutions in the country. Now, when the embargo was imposed against the former Yugoslavia (...) in my view whoever supplied the information, this unknown information that you described in full, it is clear that the political decision of whether to trade (...) in weapons or not is one and the same. We must not....

Palchev: The presumption is that the prime minister protects the interests of Bulgaria.

Man's voice: If one of his advisers has made a blunder somewhere, this is his own business! That is what the presumption means to me, for I would not allow the prime minister to act in such a manner.

Gen. Andreev: Let me say a few words that are of greater importance on how we should proceed further, and make something clear rather than for us to discuss what we have been discussing so far. To begin with, he knows my attitude toward the work of the commission that he heads and toward, personally, its chairman and all commission members. Knowing precisely how properly the work is being done, in an atmosphere of entirely frank discussion of even the most heretical kinds of such suggestions, I say, as a complete professional in this area, that I would not have sent Mishev, let us say, to discuss this matter. You may send anyone you wish, but if it becomes a question of analyzing problems essentially related to arms procurements, it is a question of (...) then we face the entire range of what we have been discussing, the fact that the Macedonians are interested, and regardless of my very great respect for the very high knowledge of Mr. Mishev, in such matters he cannot even understand the problem, particularly when all of this is being put together within a group involving representatives of a private company. I do not know through what channels, but this is something that I hear, and this raises a mass of questions which I ask myself: What is this company that moves around, goes somewhere and starts selling or even discussing the sale of weapons? This makes me ask a few very important questions. Had I assigned someone, I repeat, from the viewpoint of the specific project and not for the sake of interfering in the work of the prime minister, I would have sent a professional who would have looked over the requirements, prospects, dangers of violating the embargo, and so on and so forth. This is my first remark. The second is that we are nonetheless dealing with something about which I think that after Mr. Mishev's return the president should have been informed of this matter, the way you acted with Zdravko Popov, when Zdravko Popov was

involved in something entirely different, and although his case is much graver, in investigating the case, you said: "Find the prime minister immediately, have him come and be informed of all this." I think that this was proper. The president informs the prime minister, and this is hardly some petty matter.

F. Dimitrov: So that there would be not even a shadow of a doubt as to what you are discussing....

Gen. Andreev: ...and not to inform the president about very serious discussions. You must agree that there are things that, if presented in precisely the same way to any kind of audience, and particularly to professionals, such matters would be treated very seriously and profoundly and reveal other matters, but I shall go no further.

F. Dimitrov: No, you cannot stop at this point.

Gen. Andreev: I put a stop not to the problem but to the questions that follow it. For if, Mr. Prime Minister, this company is granted (...), a number of things will emerge and I cannot blame a person such as Koso Mishev, in the presence of those people.

F. Dimitrov: Let me try now to help you to see this. As to the first question, why Mr. Mishev and not someone else? You probably know very well that, as is the practice in all civilized countries, when it is a question of unofficial discussions, individuals of adviser status are assigned, and not individuals who are ministers, as was requested by the Macedonian side. That was the reason for which we decided that Minister Pramatarski, who was invited, should not go there.

Gen. Andreev: Had you sent Aleks Aleksiev I would not have asked you this question.

F. Dimitrov: Just a moment, just a moment, this is first. Why should an adviser be assigned? Second: The very nature of the mission, which you perfectly include in your question, is not to discuss specific agreements about importing or exporting arms. The task of this mission, as I said, was to determine what the situation was, including its political aspects, formulate a viewpoint about the contacts that obviously exist between that company and the Macedonian side, provide assurances of our good will, and obtain information on various other matters, including the possibility of establishing other types of contacts. There was a demand to provide an economic picture of the country, something that could neither be assessed nor discussed within the limitations of a visit and that, I do not know why, makes Mr. Asparukhov amazed at having been done in a single day, without the people staying there overnight and perhaps enjoying a night in the Macedonian taverns. Going back to such problems, you may be looking for various insinuations, but, whatever the case, this is the answer to the first question. In that sense, sending an adviser would be no obstacle. On the contrary, it would be desirable for the person who is sent to be an adviser. This is a practice that, I believe, should be supported in this country, for

this provides a guarantee of a certain standard of discussions and, in fact, no particularly significant commitments are assumed. As to why precisely it was Konstantin Mishev, this fact should make clear to you yet another element that clashes with the insinuations made by Mr. Asparukhov, specifically that he discussed a specific deal involving specific matters. Were they to be discussed in terms of amounts, dimensions, types of weapons, and so on, such a discussion would have assumed a different nature.

Zh. Zhelev: In my view, you are acting incorrectly. He mentioned a piece of information. Whether this is true or false is the reason for this gathering.

F. Dimitrov: Mr. Zhelev, we are once again starting to run around in circles, and we shall never understand the real reason for this gathering. As to the second question: the question of informing of the president. Here once again I must throw a few rocks in Mr. Asparukhov's garden. But what else can I do? I had the pleasure of meeting with the president, I believe, two days after the event—I no longer recall—and we discussed a number of things. I must admit that the president told me that he was informed of the trip made by Mr. Mishev. I do not know how he obtained it, nor did I ask, and actually we spoke and I described to you the way for such a very responsible type of acting, if you will recall.

Zh. Zhelev: My information came from another source.

F. Dimitrov: Be that as it may, you raised the issue before I reported it, so that in this respect there could be no question of any kind of propriety. And you... let us not say that you, as a member of the commission and as an adviser to the president, now, it is true that for the sake of politeness we should directly communicate in a number of areas. Today I allowed myself, considering the confusion in which we find ourselves, and the heavy workload carried by my office, to ask the chief to call your chief of office to supply information about my trip yesterday at the place where the catastrophe occurred, instead of doing this in person, as good manners require. We allow ourselves such petty violations of protocol, but how can anyone claim that the president was not informed of all such matters?

F. Dimitrov: This does not surprise me.

Asparukhov: It is not my purpose to surprise you with this information.

F. Dimitrov: At this point the information would be useful if you would tell me who these people are.

Asparukhov: Let me say here, once again, that the purpose of intelligence was not to blame the government or to blame advisers or to try to prove that a criminal action was being committed by the government, but to find an answer to the question of why a high official went there. And so we found out why!

Sokolov: Why did you mention it at the press conference? This would have been precisely the case had there not been your statement!

Zh. Zhelev: Now, we are going back to it. Let us sum it up.

Sokolov: Those people below will wait for the name of the person.

Zh. Zhelev: We are going back to the same things.

Yonchev: To conclude this, I would like to be very brief, for you have already repeated all of this several times, and I have remembered it! Now, there are various aspects to such a discussion, and I cannot ignore the idea that the separation of powers involves a large number of legal texts, which must be straightened out. We are dealing here with a reaction mechanism. I also find it easy to ignore a certain bias and tension that is present in this discussion, for I am an outsider and I can look at this as a specific case, in the sense that I do not feel attacked by such information nor involved in some aspect. I simply feel that there is a problem. My initial reaction was related to the legislation. However, from the professional viewpoint, I have no hesitation. If I am not responsible for such a service and I come across such a thing I would enact the required procedure. This is simply professionally thoughtless, for a censurable action was committed from the viewpoint of security in the activities of a government, allowing such a trip to be made along with company of such reputation, thus legitimizing this company through the authority of the government. This could have been done in a number of ways without a connection with that company for the sake of obtaining the required information. There is something here that is not entirely clear, and that is a reason for following this line of reasoning. There is no time element involved. Regardless of the system, this is done by an intelligence service. I do not know why it had to be mentioned at the press conference.

Sokolov: So far, there are no objections.

Yonchev: What I am trying to say is that the information was developed openly, resulting in the kind of nervousness that exists and is already interpreted as a political conflict, thus rendering this specific case totally unimportant. In my view, in itself this case is a perfect case of intelligence activities. I do not wish to give any advice to anyone and I would not have chosen such a way of acting, for what is very important to me is what I would like to find out; I would choose a harmless way and would use it. Here we have something fabricated, and Mr. Palchev is thus more or less sharing with us something that public opinion would accept. One does not have to prove that one is not a camel, for that would be a legitimate conclusion that would be accepted even in this tense situation. Perhaps we, as legislators, should set our objectives more clearly, for we keep coming across such things everywhere: We have no drafted laws, and there are no such laws to help us in this vacuum. How to supervise, how to establish ties among institutions?

Other than that, the idea of the Constitution is being implemented in practice, although painfully so. The idea was for the authorities to compete and also to interact in specific cases.

Man's voice: This did not happen.

Yonchev: I think, however, that there is excessive competition and less interaction. In this area we need a mechanism.

F. Dimitrov: You are absolutely right, Mr. Yonchev. Just imagine that Mr. Asparukhov's service has tried, using all such valuable data, to (...)

Yonchev: I do not doubt this. These are things that are provable. This is part of the job.

F. Dimitrov: It is also part of the job to make an effort to identify unidentified individuals. Was it Konstantin Mishev or was it not? In terms of the taxpayer's money, this information is, so to say, notoriously familiar, and could have been obtained simply by asking (...)

Yonchev: No, I do not wish to speak unprofessionally, for the way things are, if there is any question, something that he should assume, he should pursue this question, extrapolate it, and in order to follow it up he would have to conceal from you information until he has established the truth, and so on. The only thing that does not fit in this case is the impatience displayed at the press conference. What triggered this condition and how did it happen? From the professional viewpoint, I have no doubts.

Palchev: Let me introduce an objection here, Mr. Prime Minister! Mr. Mishev is your adviser eight hours daily, but during the other 16 hours he may show up in the light of (...)

Yonchev: Generally speaking, you cannot guarantee!

Man's voice: He is applying the letter of the law! He does not act without a reason.

F. Dimitrov: Excuse me, but do you have any contacts in the commission (...)? We conscientiously answer something that is known to all customs officers when we declare something or other, or else we say that we have nothing to declare, at which point Mr. Asparukhov says that this is taxpayer's money and would like to determine precisely what are the contacts we have.

Slatinski: Whether Konstantin Mishev or Aleks Aleksiev, was it proper to send someone along with thus and such a company, and were the actions of the intelligence service proper? I believe that this aspect of the question should be cleared up.

Zh. Zhelev: Yes, let us clear it up, I agree!

Slatinski: The intelligence service acted professionally. It believed this to be the right way. We believed that an easier way was possible. The question is something else: Could an intelligence service, after repeatedly stressing

that these are merely operative data, and that they are of no legal value, come out with such a statement at the press conference, precisely because these are operative data and precisely because they have no juridical value, mentioning the fact that we have data that an adviser was mixed up in an illegal trade? Such is the question!

Zh. Zhelev: Let us conclude. If you agree, let us sum up matters as follows: The first part, about which there is no argument, is that intelligence is what it is, it deals with matters abroad, etc.

Gen. Andreev: Mr. President, please excuse me, I attended that press conference. He did not say that he was mixed up in illegal arms deals but that he participated—you should quote accurately, for (...)

Yonchev: This is very important.

Asparukhov: The cassette is here, let us listen to it!

Gen. Andreev: It is not a question of whether he "participated in a deal." You should quote it as it was! This is already being inflated by the press. The press said that I said (...), as 24 CHASA wrote. I did not even think of this. But tell (...)

Asparukhov: The expression was that "we have information that a government adviser was mixed up in in some kind of deal."

Sokolov: First "mixed up in" and then "deal."

Zh. Zhelev: Look here!

Asparukhov: Let us listen to the cassette, as I may not be quoting the words accurately.

Zh. Zhelev: Well, see whether it is "mixed up in" or "is somehow involved."

Gen. Andreev: Let us listen to it!

Asparukhov: This is the right place in the cassette. This is where it should be.

Zh. Zhelev: Turn it on!

Yonchev: I will miss catching my plane, please excuse me!

Zh. Zhelev: We are already concluding.

Yonchev: Very well!

F. Dimitrov: I will demand this and I will make a statement on Friday, in much greater details, something that would hardly suit the state.

Man's voice: There is no need for great detail.

F. Dimitrov: That will depend on the position that will be adopted here!

Man's voice: If we said "is not," that means that he is not.

Second man's voice: Let us stop the discussion to listen to the recording!

(At this point F.D. demands Br. Asparukhov's resignation)

F. Dimitrov: Such questions must be asked, naturally, but we retain the right to draw conclusions based on this decision.

Zh. Zhelev: This is your right!

F. Dimitrov: In my view, Mr. Asparukhov's action is directly aimed at the government. It contains direct insinuations, and you very well realize that we cannot resolve this situation by saying publicly "well, you know, there is nothing to it!" Something has happened and it may be to the detriment of the government; further, should this occur, the government will take suitable steps to defend itself. Those who deserve it will have to bear the consequences!

Zh. Zhelev: In this case, here is what I consider fair: As to the first part, we said that the service did its work properly. It was a gross error, a gross error to make a statement at the press conference before such information was reported to the prime minister and to me. For that reason I believe that Mr. Asparukhov should apologize to the prime minister and say that indeed there was a misunderstanding, and admit that the service made a mistake! This must be stated publicly!

Man's voice: Excuse me, Mr. President, but it must be said that it is not accurate that an adviser to the government was mixed up in a deal (...)

Zh. Zhelev: Yes, absolutely, absolutely!

Man's voice: If it has already been mentioned once, it must be denied.

Zh. Zhelev: Subsequent investigations have indicated something else! I too insist that this must be absolutely said! I believe that when a blunder has been committed we must have the courage to admit it.

F. Dimitrov: I think that unless Mr. Asparukhov is admonished for what is happening here, this will not be sufficient for the government! For you know very well that extricating ourselves from this situation in this manner would mean to the viewer at large, to the public at large, as Mr. Palchev will tell you, "Aha, they sat down, talked some, agreed on something, and decided to conceal it!"

Zh. Zhelev: No!

F. Dimitrov: That is what it will mean to the public at large. Mr. Palchev will probably support me in this.

Palchev: Looking at this matter from the viewpoint of the mass media, that would normally occur.

Yonchev: No, I think that it would be difficult to claim that within this circle we have reached an understanding.

Zh. Zhelev: Gentlemen, I am making a suggestion. Mr. Asparukhov, do you object? I think that it would be an act of courage for you to do it, to tell it to the mass media, apologizing to the government and to the prime minister.

Palchev: And denying the information.

Zh. Zhelev: Yes. There is no such adviser and the information proved to be false.

Gen. Andreev: There is no such adviser or such action.

Zh. Zhelev: There is no such adviser mixed up in the arms business.

Yonchev: Well said, "There is no such adviser" is well said! For if we tell the story to the public in such details this would be quite improper.

Gen. Andreev: It turns out that, as instructed by the prime minister, he carried out an assignment that was given to him in this connection!

Yonchev: Is this a better solution! Think about it; I am not certain that it is a better one!

Man's voice: Gen. Andreev, look here, this is beginning to stink once again.

Gen. Andreev: How so "once again?" No, this would mean that now we must chop off two or three heads, right?

F. Dimitrov: It must be stated very clearly.

Gen. Andreev: It must be said, that is what we discussed, that it must be specified: It must be specified that it is a question not of such a thing but of the fact that there is such an adviser who, as instructed by the prime minister, carried out an assignment set by the government, related to determining the possibilities of the country, and establishing what is what. We do not have to give details about this and that!

F. Dimitrov: To say what Gen. Andreev says without, naturally, my withdrawing my request to the president to consider the question of Mr. Asparukhov's resignation.

Zh. Zhelev: No, categorically no!

Man's voice: Well see here, according to your logic, we should come out with the entire situation surrounding the talks (...)

Yonchev: We must agree on this, for this means virtually retelling (...)

Man's voice: Just a moment, just a moment. If we stop halfway it becomes an insinuation. Please! I believe that the president will understand us.

Gen. Andreev: No!

Zh. Zhelev: I thought that I was clear.

Yonchev: What was your formula?

Gen. Andreev: I favor a just clarification, and that was the entire meaning. The prime minister made very many things clear, Mr. Asparukhov explained many things, and others made a number of things clear. I think that now it has become clear to all of us that actually there is such a person who participated in discussions, in discussion with (...) and responsible factors concerning clarification of their requirements (...). However, this is a task that was assigned by the government. The prime minister assigned to one of his advisers or associates to go and shed light on this matter, most responsibly.

F. Dimitrov: To clarify what it was all about. The case was reported to the commission properly and the commission reached an opinion.

Gen. Andreev: That is what we discussed, for otherwise, let us act! Let us dismantle this service, if such is the case! Don't do this!

F. Dimitrov: I am not sure that I trust its activities today all that much!

Sokolov: The thief keeps shouting "catch the thief!" Now that we abolish the service.

Man's voice: Please, please!

Man's voice: How could you say this!

Man's voice: Imagine for a minute that we have clarified things here. I think that everyone realizes that matters have been clarified. But just imagine for a moment what would happen if the information that Mr. Asparukhov has is made public.

Gen. Andreev: That is precisely what we are discussing!

Yonchev: This is operative information—how can it be made public?!

Man's voice: No, it will not be made public, naturally, but in the course of our clarifications of the matter (...) why is it that this little firm, why did it go abroad and then come back. This was his own business. This was done by instruction of the government!

Palchev: However, this cannot be said!

Man's voice: In that sense as well, such a clarification of matters as provided by the intelligence service will shed some light, because he will have to explain who used whose car, how he left the country, and so on! The intelligence service carried out an operation and now it is being made clear that this entire operation, all this was by instruction of the government.

Palchev: Wonderful, forgive me Kol'ov, let me say two words only. It is wonderful. So! Now, however, by providing partial information we shall give reason for new puzzles, for as we said here, "catch that thief!" and all sorts of other things, which are clearly in the nature of a provocation. The best would be to say what we suggested: There is no government adviser mixed up in this business, in a deal involving arms.

Zh. Zhelev: Yes, that is what we said!

Palchev: In my view, Mr. President, that is all that should be said in order that no further questions arise. It is thus that we come to an end at a right place acceptable to all sides.

F. Dimitrov: Gentlemen, first of all Mr. Asparukhov will apologize to me personally for permitting himself to refuse to provide information to the Bulgarian prime minister and creating the impression that something very dramatic has occurred involving the government. Naturally, such information should have been accessible to the National Security Commission. However, the entire drama of this situation about which I am indignant and about which I insist on receiving an apology is the following: First, I categorically state that I will not be satisfied by any formula other than a clear statement of the fact that Mr. Asparukhov has confused involvement in the arms business with performing functions that the government and the people who work for the government carry out, which applies to actions involving the study of situations and markets, and properly reported to the respective authorities, after which the proper decisions were made! Finally, someone would probably have to decide who should assume responsibility for the fact that Mr. Asparukhov said that the Bulgarian Government acts according to the system of "the thief shouting 'catch the thief.'" This last explanation should be provided by whoever can do so. I simply present this as a topic for discussion.

Zh. Zhelev: This was not exactly what was said!

F. Dimitrov: It was said, and I just heard it with my own ears.

Zh. Zhelev: Not about the government.

F. Dimitrov: Mr. President, let us not forget that we are not children and we cannot be pacified and calmed down this way.

Slatinski: Let me say something. Simply that every person has some sort of principles and believes that he is acting in accordance with such principles. Let me say, in that spirit, that with all due respect for you, as the president of this country, I cannot express myself differently and the only way I can act is by categorically supporting what the prime minister said. Otherwise, it simply comes out that we have failed to understand what happened. It comes out that a state official in a very important position that affects national security has simply attacked the Bulgarian Government. This is the way we qualify matters and you can assume the response even among the information media, which Mr. Palchev keeps introducing in our discussion as a basic criterion for our behavior after this meeting. I believe that Mr. Asparukhov committed a very large blunder and, as a man of dignity, he simply has no choice other than to submit his resignation.

Asparukhov: I am very grateful to you, Mr. Slatinski, for your concern about my resignation. I will not hesitate even for a minute to do so. However, I would like first of all to go back to the formulation, Mr. President. I am ready to apologize to Mr. Filip Dimitrov for the fact that on the 29th, at 0830, for objective reasons and for reasons I consider valid, I was unable to find the right and suitable way to answer questions concerning the information and then, on the radio, I made a thorough explanation of what happened.

Zh. Zhelev: Very well, you may explain this despite the fact that you must apologize.

F. Dimitrov: It is only the tremendous respect that I have for you that forces me to get up and leave.

Asparukhov: This is first. The second aspect is more important. I hope that I will be understood by everyone here, including the prime minister. The intelligence service had to check this information once it received it.

Zh. Zhelev: No argument about that!

Slatinski: Let us not go back to this thing!

Asparukhov: I must go back to it at the press conference, for right now I am the defendant, am I not!

Sokolov: That is what you failed to do, to check! For had you checked (...)

Man's voice: We do not blame you for what you did but for what you said.

Asparukhov: Mr. Minister, let me report that the intelligence service obtained a certain raw data and undertook to check and came across an adviser and, in the course of discussing the matter, it turned out that he had acted properly, as instructed by the government. This is something that was made clear.

Zh. Zhelev: And the fact that you are apologizing, in advance, before anything definitive (...)

Yonchev: It would be proper to mention this at the press conference!

Zh. Zhelev: You said that there was an adviser involved. This is important, to clarify that there was no such adviser.

Palchev: "The thief shouts 'catch the thief'" is an improper expression.

F. Dimitrov: If you wish, shall we hear the recording again!

Asparukhov: Can I say something else also? Why did I react in that way? Because for months on end the service was subjected to unworthy attacks. These were truly unworthy attacks! Because...

Zh. Zhelev: This is true, I agree, but this does not justify you. You must offer your apologies! I believe that you must apologize for both items.

F. Dimitrov: I have some objections to the claim that the service was subjected to unseemly attacks. Although I personally have not attacked it prior to that press conference, Mr. Asparukhov, I apologize. Your service was so heavily involved in your own personal emotional problems that it was not suitable, as a service, to be familiar with what was happening with your former, present, or, I do not know exactly what, daughter-in-law, is that right? Because for emotional reasons you were not in touch with her. Forgive me, but if this is the way a service must act, it is shocking!

Asparukhov: I do not understand you!

Yonchev: The discussion (...)

Man's voice: Mr. President, let me emphasize one thing! Whatever may happen here I will not be making any kind of statements.

F. Dimitrov: I cannot fail to make a statement (...)

Man's voice: You, yes! As well as Mr. Asparukhov, but what I think is the following: Even if we say that the incident is closed, the press will not be satisfied and will start to investigate. In other words, the formula for the government should be such that if the press starts digging somewhere it should be able to say "whatever the government said was what happened!" Everything must be presented in such a way that with the knowledge of the government nothing sudden will pop out, dug out by the press. There must be a loophole for saying "yes, so far it was with our knowledge and from there on we were not aware of it!" I am giving this as an example!

F. Dimitrov: Forgive me, but the government cannot know and does not have to know that on 7 August a company, whether clean or dirty (so far we have no proof that the company is dirty) went to the government to request a license from (...) the government. This cannot be a question of knowledge or ignorance on the part of the government. There is no other action that pertains to the activities of the adviser that is not known by that government. The presentation of such a formula once again opens the way to new press insinuations.

Zh. Zhelev: Please, let us hear what people are saying!

Palchev: The actions of an adviser to the government and of the government itself were entirely right and proper. This must be said in full, thus blocking any possibility of insinuations.

Gen. Andreev: Who instructed him and what instructions did he get?

Palchev: The actions of the adviser and of the government were entirely proper.

F. Dimitrov: Do you seriously think that they will not start grabbing us by the arm and asking us who the adviser was? And we shall be shouting, "We shall not tell you who the adviser was. Everything was legal and proper, but we will not tell you who he is."

Palchev: We could say who the adviser is but after such a formulation he is (...)

Yonchev: No, after such a formulation we shall have reasons to say that once the legitimacy of the action of the adviser has been established we have no right to identify him. This is a matter of propriety.

F. Dimitrov: It is a matter of state secrecy. This is something that is not publicized for political reasons. If someone has made a mess of it and has started discussing such things at the press conference, what is the point of covering up?

Yonchev: The point is not to get to the question of that adviser, which will be followed by endless stupidities.

F. Dimitrov: The adviser can say that which any adviser and any person, in general, in this country could say: That in the final account in Bulgaria decisions are made by a Council of Ministers commission.

Slatinski: Let us be realistic. Experience indicates that anything that is being said here will sooner or later (and, in my view, quite soon) come out. That is why official clarifications must be provided, everyone according to his own conscience, once any kind of action has taken place. I have no illusion whatsoever that this information will not come out.

Zh. Zhelev: Nonetheless I believe that we must provide an answer; otherwise they will start digging.

Let us answer at least two basic things: First, that he apologized to the Council of Ministers and then apologized to the government.

Gen. Andreev: He does not mention the government; he mentions only the prime minister.

F. Dimitrov: He must apologize to the prime minister for the fact that this scandal broke out about this situation. He must apologize to the government, if he believes that an apology would suffice for the fact that it (the government, if you wish we could listen to this once again) is acting on the principle of "the thief is shouting 'catch the thief!'" This is a huge scandal, bigger than anything I could imagine! This involves the legitimate Bulgarian Government! And it was about this government that one of its officials allows himself to say that it is acting according to the rule "the thief shouts 'catch the thief!'"

Man's voice: Not the government, the action was that of the adviser!

F. Dimitrov: Listen to it once again!

Gen. Andreev: Let us go back to it; I cannot conceive of saying such a thing about the government. One must never say such a thing, one must know that the government is (...)

F. Dimitrov: We are not speaking of what is possible and what is not possible but what is!

Gen. Andreev: We are speaking of the adviser!

Yonchev: I am truly embarrassed.

F. Dimitrov: If you are not going to make a statement, at least say that this is much ado about nothing.

Yonchev: I think that I shall go out the door and catch my plane.

(At this point the recording is interrupted and then resumed with Minister Sokolov)

Sokolov: Had the National Intelligence Service bothered to gather information on this case from the government itself and from the governmental commission, it would have realized that, actually, this was a legitimate matter.

Palchev: This could have been said!

Sokolov: Because I too believe that if this had been done it meant that a certain person with a position in the government had gone somewhere and done something and that data could have been provided immediately by us. There was no reason to wait for outside sources when the inside source was official. And if at that point someone had tried to conceal something one could say that "he had not gone there."

F. Dimitrov: No, two days later the president was informed of this case. Generally speaking, we are sitting here shutting our eyes to obvious matters.

Man's voice: Forgive me, Mr. Prime Minister, but you gave the president just the outline of the story (...). I assume that such is the case and that the details gathered by the intelligence service are details that are puzzling. In that sense I assume ...

Zh. Zhelev: Let us be accurate.

Man's voice: *(continuing)* ...Is the president familiar with this entire (...) story, the company involved, what is happening, and where it is happening? The work of the intelligence service is one thing. To the president you can say that "we are engaged in discussions."

Gen. Andreev: We must put a proper end to it, for otherwise everything will be wasted.

Sokolov: Others will not accept this proper point.

Gen. Andreev: How come they will not accept it?

Sokolov: Precisely so! What does it mean, "this is legitimate"? No, they will say: "Tell us what happened!"

Gen. Andreev: There are things that can be said and others that cannot. The people know that this is the case!

Zh. Zhelev: Otherwise, I fear, they will be asking "what company, with whom?"

Man's voice: We shall not be talking!

Gen. Andreev: We shall not be talking but they will.

Man's voice: There exists some kind of abstract company, which we shall not mention at all.

Zh. Zhelev: Let us hear the recording!

Sokolov: Let me roll it back a bit.

Zh. Zhelev: Now, I suggest that we agree on the following: Two points must mandatorily be included. The first is this: He apologizes to the prime minister for the fact that he did not immediately respond to his summons. He may provide some explanation or other, but he must mandatorily apologize! The second is that additional investigation proved that there is no such adviser mixed up in the arms business, either working for the government or for the prime minister.

Man's voice: That all the actions of the government have been proper.

F. Dimitrov: And so is the situation, and so on, because he had told (...) and acted legitimately. Is that so?

Zh. Zhelev: Good!

Man's voice: Mr. Prime Minister, if the information had leaked, if there was no conscientiousness (...) or Mr. Mishev, the press would have already inflated matters (...)

F. Dimitrov: This company (...) addressed an official invitation to Minister of Trade Mr. Pramatarski. Look: Let us not create the impression that we have anything to be embarrassed about, when there is no reason to be embarrassed! I categorically oppose this.

Man's voice: I do not think so. You know whose thoughts I expressed!

F. Dimitrov: Look, this is the situation in which insinuations are possible....

Gen. Andreev: There was delinquency but no license.

F. Dimitrov: Of course not!

Gen. Andreev: This is a very vulnerable spot. No company should be mentioned whatsoever! Matters are quite clear.

F. Dimitrov: If there was a license, the topic would have been different.

Gen. Andreev: There is nothing to talk about! There is a resolution by the government.

F. Dimitrov: No, on the contrary, if there was a license this would have meant that we are assisting that company.

Zh. Zhelev: Let us hear the text.

Asparukhov: I apologize to the prime minister for the fact that on the 29th I did not report to him despite his firm request.

F. Dimitrov: I do not want you to apologize for this. I am not an odd character, I am not crazy enough to believe that you must rush to me at the appointed time. You were given the opportunity to set up another meeting and make things clear at another time. I do not object to the fact that you did not show up. I object and I demand your apology for your attempt to undermine the authority of an institution. This attempt, in my view, is obvious by your procedural action in refusing to submit information to the prime minister. You state in this recording that your purpose in life is to provide information to the administration. I will not listen back in order not to broaden this discussion.

Zh. Zhelev: Well, what text do you suggest? On the first point? What do you think should be said?

F. Dimitrov: Mr. Asparukhov should apologize for the fact that after the Bulgarian prime minister asked him to submit information that he had the right to submit to any other state authority as required by his obligations or his conscience, he refused to do so.

Asparukhov: I did not refuse!

F. Dimitrov: By saying that he will do that only in the presence of other institutions, by which he clearly questions the authority or the correctness or honor of the government or, in particular, of the prime minister. If that is not obvious I do not know what obvious is!

Asparukhov: I have the letter on the request and the letter with the answer.

Zh. Zhelev: Let us now leave the letters aside. This story is getting to be too long and broad.

F. Dimitrov: In your answering letter you write that you will provide this information to this honorable assembly. And that you will not submit it to the prime minister if he asks for it.

Asparukhov: I also explained the reasons why.

F. Dimitrov: Let us not go on with the reasons, for in that case we should start asking all sorts of questions.

Zh. Zhelev: I suggest that Gen. Asparukhov apologize to the prime minister and through him, to the government, for having failed to respond to the summons.

F. Dimitrov: It is not a question of this, of the refusal to speak with the prime minister other than in front of witnesses.

Man's voice: That he has refused to submit to the prime minister, refused to submit to the prime minister.

Zh. Zhelev: He has not refused, what does "refused" mean? Such information is now being presented.

F. Dimitrov: Mr. President, you should protect the reputation of an institution and be aware of the underlining of such a reputation.

Zh. Zhelev: I am quite sensitive to it, Mr. Prime Minister, more than you are, for it is not I who organize antipresidential meetings and lead crowds to this place shouting "down with the president!" But let us not go back to such matters. As you can see, I am quite tolerant and I inform you of everything and I insist that an apology be offered on two subjects, and categorically so. Do not say such things!

F. Dimitrov: Now, antipresidential meetings, something which....

Zh. Zhelev: Precisely! Something which you organize one way or another!

Sokolov: He should apologize that instead of submitting the information he said that he will present it under certain conditions.

Man's voice: He refused to submit it when requested. He said that he will deliver it at some point, whenever he decides, and to whomever he decides.

Slatinski: And to whomever he decides!

Gen. Andreev: He did not say that, let us call it a "condition," let it be the way you are hinting. It was not "under condition" but that he will submit it in the presence of the president. Do you know that if this thing becomes public it will be received enthusiastically? He did not insist on this. The people would say, "Well, this was the right thing to say!" "To the president and the prime minister," for these are the people who run the country. He obviously would like to submit the information to them and it is up to them to decide what to do next, based on the tragic lessons learned from "that other list."

Man's voice: Aha!

Gen. Andreev: Well, what kind of "aha" is it now? You recall what happened. On that occasion everyone knew but you and the president!

F. Dimitrov: Finally, the people found out that I had drawn up the list and had started...

(Several people talk at the same time)

Sokolov: And some "other people."

Gen. Andreev: What other people?

Sokolov: What does the letter say?

Gen. Andreev: And to the commission chairman.

Sokolov: Now we have "to the commission chairman." It is not up to him to decide to whom the information will be given.

F. Dimitrov: He could give the information to any one of these people he wishes, but the condition he set was that he could give it only to one of these individuals.

Gen. Andreev *(interrupting)*: That is why he apologizes!

Zh. Zhelev: He does not have to, please, he does not have to!

Man's voice: How come he does not have to? Why should he not have to? For whom is he saving it?

F. Dimitrov: Mr. President, you are saying something dangerous. Once again it is an act aimed against the government.

Man's voice: This is not consistent with the form of our discussion.

Zh. Zhelev: I believe that I suggested something sensible. Here things are being constantly made more difficult.

Man's voice: He should present his apology for having refused to submit the requested information to the prime minister. That is all.

Zh. Zhelev: Very well!

Gen. Andreev: Let it be so.

Zh. Zhelev: He apologizes to the prime minister and, through him, to the government, for his refusal to submit the requested information, period. First question. On the second issue: He refuses to submit the information requested by the prime minister.

Asparukhov: To the prime minister and, through him, to the government, for having refused to submit promptly the information that the service had on this matter.

Man's voice: Yes, second, no presidential adviser acted improperly and incorrectly or has been mixed up in any kind of arms deal.

Zh. Zhelev: Yes!

Gen. Andreev: No, he is bound to have been mixed up. It is not a question of "mixed up" in business but of the assignment he was given by the prime minister.

Man's voice: Well, "mixed up," so let it be "mixed up."

Gen. Andreev: He acted correctly, he carried out the prime minister's instructions!

Zh. Zhelev: He was not mixed up in the arms business.

Gen. Andreev: He carried out properly his assignment. That is all.

F. Dimitrov: In order to clarify the situation, once again I am telling you there was an assignment, the task (...) may have been assigned to him and he carried it out properly.

Gen. Andreev: Well, let it be such a "correct" and "legitimate assignment," and no more....

F. Dimitrov: In order to clarify the information concerning his assignment (...), everything is in order, is it not!

(Laughter)

Zh. Zhelev: Put down the second point, read the second point!

Asparukhov: I have not written it down yet, but generally speaking...

Zh. Zhelev: No, not generally speaking, but put down the text exactly!

Asparukhov: Yes, I am.

Gen. Andreev: Prior to clarifying the information currently available and the assessments, and the additionally submitted information at the conference, indicated that....

Zh. Zhelev: No adviser!

Man's voice: Government's adviser.

Gen. Andreev: No. "No adviser."

Zh. Zhelev: A government adviser was not involved, was not mixed up in an arms business!

F. Dimitrov: Konstantin Mishev, the adviser of the prime minister, carried out his assignment properly and with the knowledge of the government...

Gen. Andreev: "... And properly, this was quite good."

F. Dimitrov: ... Carried out his assignments in terms of explaining the circumstances.

Man's voice: ... Or with the knowledge of the respective ministers!

F. Dimitrov: Or with the knowledge of the respective ministers, yes!

Gen. Andreev: We must not involve the entire government!

Zh. Zhelev: Of the prime minister and the respective ministers.

F. Dimitrov: In my view, we must add that the information that was gathered was reported to the Arms Control Commission. Third, that Mr. Asparukhov did not have in mind the fact that the government is acting according to the system of "the thief shouting 'catch the thief.'"

Zh. Zhelev: Look here, he did not say that!

Gen. Andreev: He did not say it. He approached the matter. He even mentions ministers but not the Council of Ministers. He says "I am referring to advisers." It is a question of advisers. He repeated this several times.

Zh. Zhelev: Read now the second point! Let us see what precisely has happened.

Asparukhov: I was unable to put down everything... "In the investigation of the information received by the NRS..."

Zh. Zhelev: Following the additional check of the information...

Asparukhov: ... of the information received, it turned out that a government adviser was not mixed up in the arms business."

Sokolov: That there is no government adviser who is mixed up in it.

Man's voice: Period, as you said it, "the adviser Konstantin Mishev."

F. Dimitrov: The adviser Konstantin Mishev.

Gen. Andreev: Let us say this: "Konstantin Mishev, adviser to the Council of Ministers, carried out correctly his instructions."

F. Dimitrov: Correctly and in accordance with instructions, he carried out his assignment to explain the circumstances which subsequently were reported to the commission for control (...)

Zh. Zhelev: Adviser Konstantin Mishev correctly carried out his assignment according to instructions.

Sokolov: His assigned task to clarify the circumstances.

Zh. Zhelev: The task assigned to him by the government.

Gen. Andreev: We could say "to clarify the possibility of supplying weapons by" (...)

Zh. Zhelev: No, no, look here, the word "weapons" should no longer be mentioned, it must be (...)

(Several people speak at the same time)

Zh. Zhelev: It should not be a question, let us say, of food procurements.

Man's voice: That he was not mixed up in it! He studied the economic situation.

Gen. Andreev: We should tell the whole truth, which is what they will latch on to if this is not said. He carried out instructions, he may have been selling poison! The Council of Ministers gave him an assignment, he went and carried it out.

F. Dimitrov: He clarified the possibility of economic contacts, etc.

Sokolov: Just straight "assigned task."

Man's voice: The results of which were reported to the control commission.

F. Dimitrov: Or to the proper authorities, for a report was submitted to Pramatarski on the need for food.

Zh. Zhelev: The results were reported to the proper authorities.

F. Dimitrov: To the government.

Gen. Andreev: When there is a resolution issued by the armaments commission.

F. Dimitrov: The results of which were reported to the proper competent authorities (the minister of trade, the prime minister, the Armaments Commission, and others, to the Arms Control Commission). That is what you must put down, they know!

Zh. Zhelev: Close parentheses and period.

Asparukhov: The additional investigation of the information received by the NRS indicated that the government adviser, mixed up in the arms business, Konstantin Mishev, the government adviser carried out correctly and in accordance with instructions the task assigned to him by the government.

Zh. Zhelev: Delete "government." "His assigned task, the results of which he reported to the respective authorities—the prime minister, the minister of trade, and the Arms Control Commission."

F. Dimitrov: The investigative assignment should be, in order for it to be understood, that it is a question of clarifying something of this nature.

Asparukhov: Now I ask of you to listen to my feelings, that this was an issue that had to be clarified.

Zh. Zhelev: No one is arguing this point!

Asparukhov: I can only be pleased by the fact that he is not involved.

Sokolov: No, no, Mr. Dimitrov now wants something else, "his assigned task" to be indeed that of clarifying matters.

Gen. Andreev: He is being issued a number of strategic assignments! There will be talk that he was assigned a "task."

(Several people speak at the same time)

Man's voice: You must rest assured that at some point in the first interview that the prime minister will give he will be asked about the nature of this assignment, so let us be thorough on this point.

Gen. Andreev: The government has state secrets, government secrets, strategic (...)

F. Dimitrov: If we start mentioning secrets, we shall then entirely (...)

Man's voice: Let us say a "investigation assignment."

Gen. Andreev: This may be interpreted as trying to avoid some things. The assignment could be a business assignment, etc.

Zh. Zhelev: Therefore, that is what must be aired.

Man's voice: Or said on the radio. Reciprocal to what you have said. Was this said on the radio?

Asparukhov: Mr. President, if we are finished, I need only one more minute. Mr. Prime Minister, I turn directly to you. On several occasions we have been blamed for not submitting information. Strictly for your information, I would like to tell everyone that the information submitted so far (...)

F. Dimitrov: I am familiar with such information, for it reached me.

Asparukhov: Forgive me, the reason is that I want to be frank.

F. Dimitrov: We have discussed its quality.

Asparukhov: In PANORAMA you raised the question of, generally speaking, what is the purpose of this service.

That is why I would like to report that to this day we have addressed to you (...) information, as of 1 January to the present.

F. Dimitrov: This was a topic I had no intention of mentioning.

Asparukhov: I beg of you to be kind enough to hear me out and to point out that the results of our work, despite our limited presence outside the country and despite the difficulties experienced in general in this process, we try to serve the interests of the state leadership and, through you, of the government, by providing useful information. Additionally, we have sent information to Mr. Sokolov, to the MVR (...), to the NSS (...), and the TsSBOP [expansion unknown] (...) various information.

Zh. Zhelev: This is not necessary now.

Klaus Defines Goals of Future Czech State

93CH0070A Prague *CESKY DENIK* in Czech
27 Oct 92 pp 1, 4

[Speech delivered in Prague-Vysehrad on 24 October by Vaclav Klaus, prime minister of the Czech Republic: "We Are Creating a State for Ourselves"]

[Text] Pretty soon it will be three years since the moment we went into the streets together and since the bells sounded the last good-bye to the communist dictatorship. Since that time, much has changed in our country, much for the better, but not everything. It turned out that even freedom is accompanied by problems and difficulties, which were not able to even surface in the moribund waters of the totalitarian regime. And, as we are now witnessing, they are resulting in serious tests for us. Thanks to this situation, we are now faced by a new task, which, for the majority of us, is quite unexpected: The existing framework of our national existence is disintegrating, or has already disintegrated, and it is up to us to forge an independent Czech State on its wreckage.

Is what we are now passing through only something negative? Is it mere destruction with which we are kind of paying the price for our newly acquired freedom? If we were to perceive our current situation in only this manner, we would be moving about within an enchanted circle of mourning for the demise of Czechoslovakia, and we would be perceiving our current situation and our future as being only a temporary one, as an emergency and replacement solution. The present and the future would also have such an appearance.

However, I do not believe that would be precisely the correct and appropriate view. In fact, what we are experiencing today is a road ahead; partitioning the federation signifies a new opportunity, a new occasion, greater freedom for all. It primarily signifies a liberation from today's totally nonfunctional federation, which functions today and functioned in the past in such a way that its two portions are mutually criticizing each other more and, in the final analysis, stand in each other's way rather than cooperating.

This unique chance of ours must be utilized; we must accomplish something that is jointly positive. And here we should primarily ask ourselves about two fundamental matters: With what kind of a trousseau, with what kind of fundamental wealth—and here I do not mean material wealth—are we embarking upon this new era of our national existence? And what kind of goal lies ahead, what meaning will a state that is now coming about have for us, for Europe, for the future?

As far as what we are contributing to the new state existence is concerned, I believe there is no reason for excessive modesty. It is sufficient to recall the anniversary we shall be celebrating in a few days.

The extraordinary political events through which our society is living following the June election have caused us to approach 28 October a little on the quiet side and with some embarrassment. At first glance, that is not surprising. It seems that right now our principal worry is that we not be buried by the wreckage of what was created in 1918, was shaken to the foundations by the Nazi occupation and then fell into decay as a result of 40 years of communist hegemony, and, as customarily happens during times of change and uncertainty, doubts appear: Was this fate not encoded in the common state of Czechs and Slovaks from the very beginning? And should we not today be better off beginning elsewhere and differently, with other traditions and with essentially different plans for the future?

I would like to proclaim here with all decisiveness and responsibility: Embarrassment is not appropriate; the response to both previous questions is not synonymous.

So, first of all, the founders and creators of the Czechoslovak Republic [CSR] were successful in creating an economically prospering and democratic state in Central Europe. That state had its mistakes, as happens with democratic states. Only totalitarian dictatorships can appear to be mistake-free because they simply liquidate their critics. But, despite these mistakes, the CSR represented an isolated island of freedom and democracy during the sad period at the end of the 1930's, in the midst of the advent of authoritarian and totalitarian regimes. Its critics criticize it for crumbling in the end, without a fight for its existence. However, they fail to see the other side of the matter—namely, that to accomplish its gradual liquidation, there had to be a conference of all European powers, and they had to bless this liquidation, doing so to the great shame of the Western democracies. The 20-year history of a free Czechoslovakia is something of which we can be justly proud, something we can justly affirm.

And I would like to proclaim with equal explicitness that we can justly affirm that Czechoslovakia because it is an indivisible component of Czech history, because it was the logical culmination of Czech liberal and democratic traditions at the time it came into being, traditions that were cocreated by such personalities as Palacky, Havlicek, and Masaryk. The foundations of those traditions included the awareness of our belonging to Western civilization and Christian culture, as well as the conviction that Czech society and the Czech nation have a certain mission within the framework of that culture and civilization. Stated in less lofty terms, all of us who occupy this land must, together, accomplish something that no one else will do for us. The Czechoslovak Republic was one historical attempt to accomplish that mission, and it was a successful attempt. The fact that the republic incorporated certain tensions from the very beginning, tensions resulting from the circumstances of its establishment and its inadequately considered multinational character, is reason for enlightenment rather than condemnation.

In other words, it is not a matter of "beginning anew" and doing something completely different from what was done by our great predecessors in 1918. We need only take an additional logical step along the road upon which they were embarked—to stand on our own feet, to create an independent Czech State based on the ideas of democracy and humanity, just as the prewar Czechoslovak Republic was.

This task is a positive one. We are not creating a state against anyone or in spite of anyone. We are not creating a remaining Czechoslovakia after we have been abandoned by the Slovaks, who are pursuing their own interests. We are creating a Czech State, and we are creating it for ourselves. We are not creating it so as to separate ourselves from what surrounds us, but so we can be a part of Europe as its visible and useful component.

What we need, above all, now are self-confidence, prudence, and determination, and also an awareness of what is relevant: We must begin with the assumption that political diversity exists in order that new opportunities may be found within fundamental conflicts and, in the final analysis, that a single common road might be found. However, to do so, it is necessary to know that a solidarity is present that incorporates all of any democratic diversity and gives it a certain meaning. That solidarity is represented by the Czech nation.

If we are all successful in preserving and strengthening the awareness of a common framework toward which all of our steps relate, we can look to the future with confidence.

Gabcikovo Dam: Engineers on 'C' Variant

93CH0086A Budapest FIGYELO in Hungarian
22 Oct 92 p 6

[Interview with Gyorgy Habel, a retired senior technical counselor, and Istvan Molnar, a civil engineer, by Janos Budai; place and date not given: "After Our Moral Victory, the Danube's Diversion Has Begun"]

[Text] *The original plans called for beginning the Danube's diversion at Dunacsun [Cunovo] in Slovakia on 20 October, in accordance with the C variant. We received a reprieve of four days, but only because technical operations were behind schedule.*

[Budai] In the current debate over the C variant's realization, several very important questions have been relegated to the background. Can the Danube be made navigable even without one or more barrages, and under what conditions? Is it possible to generate hydroelectric power economically on this stretch of the Danube, and does Slovakia really need that electricity? If it does, what solutions could come into consideration, without barrages? What are the conceivable ways of compensating Slovakia for abandoning Nagymaros and Bos [Gabcikovo]? We put these questions to Gyorgy Habel, the retired senior technical counselor, and Istvan Molnar, the civil engineer, who led the antibarrage protest movement that began spontaneously on 22 September 1980.

[Answer] The Danube is not navigable along its entire Hungarian reach. Consequently, even if Nagymaros had been built as originally planned, the problem of the Danube's navigability would have been solved only between the Slovak-Hungarian border and the Danube's bend. Also for that reason, back in the CEMA period the idea was advanced of building several barrages on the Danube, down to Hungary's southern border. A determining factor in these plans has been also the mode of inland navigation employed by the former socialist countries on the Danube. They usually link or lash together nine or more barges into a barge train or push tow, which is then towed or pushed by a tug or towboat equipped with a large engine rated at between 3,000 and 4,000 HP. But these powerful engines continually and repeatedly destroy even the shallows that have already been repaired. As a matter of fact, the propellers of such boats generate strong eddy currents that completely rearrange the riverbed along the barge train's or push tow's path.

In contrast, the use of craft [self-propelled barges] of the Europa-II class would be desirable on the Danube. Their tonnage is between 1,250 and 1,500 metric tons, and at most two are lashed together to form an integrated push tow. A navigation channel 120 meters wide and 2.5 to 2.7 meters deep is more than ample for such craft. Craft of the Europa-II class are only 11 meters wide, whereas in the case of Soviet-type craft a push tow can be as much as 33 meters wide and 275 meters long. That is why a navigation channel 180 meters wide and at least 3.5 meters deep was designed for the system of barrages,

although not even the traffic density forecast for several decades hence can justify such dimensions. Moreover, push tows of such size would have been able to navigate without problems only along this short reach of the upper Danube.

[Budai] From the preceding it logically follows that the Danube could perhaps be made navigable even without barrages. Why isn't this problem being considered more intensively by the powers that be?

[Answer] It is being considered, but not always suitably. In our opinion, the Danube could be made navigable for craft of the Europa-II class also in the Szigetkoz and farther downstream, even without barrages, by regulating the riverbed. Already last spring the Ministry of Transport, Telecommunications, and Water Management was in contact with Dutch consultants who, at the Dutch Government's expense, offered to conduct a hydrographic survey of the Danube's reach from the Slovak-Hungarian border to Budapest, and to propose also suitable solutions on the basis of their findings. This has been accomplished for the reach of the Danube from the border at Szob to Szentendre Island. But farther upstream where the river's midstream forms the border (between Rajka and Szob), undertaking the survey and elaboration of a plan for the river's regulation would have required the Slovak side's consent, which has not been granted to date. The Dutch offer remains valid until 15 November. Thereafter it will be possible to have this work done only at the Hungarian and the Slovak state budget's expense. Naturally, the two countries would have to bear also the cost of implementing the plan for the river's regulation.

[Budai] How much would it cost to regulate the river, using the environment-friendly technology of gravel in Netlon plastic net wrap?

[Answer] No reliable estimate of the cost is possible until a survey of this reach of the Danube has been completed. However, an estimate of sorts is feasible. After all, about 7.5 billion forints has been earmarked for dismantling the cofferdam in the vicinity of Nagymaros, for restoring the landscape, for making the river navigable, and for solving the public-utility problems of the affected villages. To our knowledge, the reach in question is 25 kilometers long. On this basis, at an average cost of 5.0 billion forints for restoring 25 kilometers of riverbed, about 35 to 40 billion forints would be sufficient to make navigable, without a barrage, the 170 kilometers of the Danube upstream from Nagymaros. The two countries would not incur this cost suddenly; it could be spread over several years, because a quick improvement could be achieved within a short time, by regulating a few critical spots. We had elaborated and described all this already in 1983, in a study prepared for the MTA [Hungarian Academy of Sciences]. Pursuant to the directives of the MSZMP [Hungarian Socialist Workers Party] Science Policy Committee, however, the working committees of the MTA were allowed to dwell only on possible ways of abating the environmental damage;

abandonment of the plan to build the system of barrages was entirely out of question. Consequently, our study did not even merit consideration.

[Budai] Will there really be no need for the main riverbed if the Danube is diverted?

[Answer] There will be continuing need for the main riverbed, and not just as a conduit for the periodic accumulations of surplus water and the impounding reservoir's ice flow. It is impossible to assume that in the coming decades the headwater canal—it is lined with plastic foil, asphalt and concrete slabs—will never require repairs or maintenance. The headwater canal will have to be drained for such work. Installation of the missing floodgates is a prerequisite for draining the canal. If the floodgates were installed and the headwater canal could be drained, Danube shipping would be paralyzed during repairs, unless the main riverbed remained navigable! Even in case of a barrage, in other words, suitable regulation of the present main riverbed would be necessary anyway. But we will thus be creating two parallel waterways of entirely equal value! Then what need is there for the Bos diversion canal?

[Budai] Thus one of the main arguments in support of a barrage—namely, that it is the only way the Danube can be made advantageously navigable—is no longer tenable. What about the other argument, concerning the generation of electricity?

[Answer] The wheel discharge capacity of a turbine is more than 400 m³/sec, while the Danube's low-water flow is 670 m³/sec. Low stages occur during the autumn and winter months, just when the demand for electricity is the greatest. But if we take also the ecological water demand into consideration—after all, neither the present main riverbed and Danube branches, nor the subsoil can dispense with recharging—then during a significant proportion of the year there will be periods during which not a single turbine can be placed in operation at Bos! To balance the grid's load fluctuations, moreover, a thermal power plant will be needed in Bos to provide constant standby capacity. And we could go on and on. In our opinion, the electricity produced in Bos would have the highest generating cost per kilowatt in Europe. This is also true of the generating units at the Dunacsun barrage.

The obsolete and worn out power plants need to be replaced in Slovakia as well. If in the course of doing this the Slovaks were to install two-cycle gas-and-steam turbines in the thermal power plants' generating units within the power industry's existing infrastructure, they would achieve a significant increase in generating capacity fairly quickly and relatively cheaply. But we regard the rationalization of power consumption the most important, because Slovak industry's use of power is just as wasteful as Hungarian industry's. If the Slovak and the Hungarian electric power system were to cooperate efficiently, Slovakia would not have problems with

power supply. This is the way we ought to compensate Slovakia, on the basis of a mutually advantageous agreement.

[Budai] In its proposals presented during the negotiations, the Hungarian Government—as far as we know—has made also strategic and tactical mistakes. Once we have amply compensated Austria, we cannot turn around and be obstinate toward Slovakia! To compensate the Slovaks for their losses—by supplying power to them or by participating in the modernization of their power plants—and to solve the problems of navigation, we ought to present to them proposals that would enable the Slovak Government to abandon, without any loss of face, the C variant, and in general the construction of the Bos and Dunacsun barrages.

[Answer] As private citizens, we are not familiar with what kind of technical and economic compensation the government is planning to offer. But it is important that there first be a mutual accounting of the costs incurred so far on the jointly undertaken investment. It is undeniable that Hungary has surplus generating capacity. Therefore we would be able to ease Slovakia's power-supply problems if the Slovaks so desire. Restoration of the riverbed where the Danube forms the border must be undertaken as a joint effort. As this is environmental restoration, the possibilities of obtaining aid for this purpose from the world's financial institutions ought to be explored. There are precedents, to our knowledge. This is known simply as remission of debt, in exchange for the environment. Obviously, there are other possibilities as well. We just have to find them.

The Slovak Government keeps mentioning that so far it has invested 15 billion korunas in Bos, and that the C variant will cost it 6.0 billion korunas more. Converted into Hungarian currency, that is about 60 billion forints. According to current estimates, Hungary so far has already incurred a loss of 100 billion forints in conjunction with the barrage, and this is 67 percent more than Slovakia's loss! Slovakia's main objective behind its investment in Bos and Dunacsun is the favorable operation of the already built international port in Pozsony [Bratislava]. That objective can be achieved also by repairing the present channel of the Danube and using modern shipping technology on it, which would enable Pozsony to develop into a real metropolis. The way Gustav Husak, the former Communist Party leader, envisaged it when he chose the Danube's diversion, rather than an automobile factory, from among the large-scale investment projects offered him by the Federal Government in Prague.

[Box, p 6]

Will There Be a Boycott?

Since the 5 December 1990 agreement on changing over to clearing in dollars, the volume of Slovak-Hungarian visible trade has been rising steadily. The volume of Hungarian-Czechoslovak trade denominated in hard

currency was 561 million dollars in 1991, and 503 million during the first nine months of this year. Today Slovakia accounts for 1.6 percent of our foreign trade, but Hungary's share of Slovakia's foreign trade is as much as 4.6 percent. Thus Hungary ranks fifth among our northern neighbor's trading partners. At present we are still importing more from Slovakia than what we are exporting there. Consequently, a possible boycott of Slovak goods would create much greater problems for Slovakia than what a shortage of Slovak goods could cause in Hungary. The disappearance of the deficit that now exists in our bilateral trade would improve—although only slightly—our balance of trade denominated in hard currency. At the same time, a boycott—aside from making life more difficult for the ethnic Hungarians in Slovakia—would only propel events in the direction of further confrontations. And that would not be in the interest of either country.

[Box, p 6]

Austria Also Affected

The improvement of navigation conditions, and hence also of the conditions for cargo shipping, along this reach of the Danube and farther downstream, was a task already during the CEMA era. But profits from inland shipping would hardly have been enough to recover from them the huge investment cost within the foreseeable future. Consequently, power generation became more and more important, and that is why the mode of peak-load operation was chosen. With the abandonment of the Nagymaros barrage, the ecological danger that peak-load operation would have posed has been removed to a considerable extent. Because of the gravely subsoil, the commissioning of the Dunakiliti impounding reservoir would likewise have been environmentally harmful, and that is why the Hungarian National Assembly banned placing it in operation. The Czechoslovak Government responded by ordering the planning and execution of the so-called C variant. Work on it was begun on 18 November 1991, with the inclusion of Keller Grundbau, a Viennese civil-engineering firm, as a subcontractor. Vibroflot technology and chemical stabilization have been used to compact the very loose subsoil under the C variant's embankments on Slovak territory. This has affected the movement of groundwater so adversely that—over and above the environmental damage caused to the Szigetkoz and the Csallóköz [Velký Zitný Ostrov]—also the Hanság and Lake Fertő are in danger of drying out. Because of the very likely damage to Lake Fertő, Burgenland could incur losses equal to at least 20 billion forints a year. Consider merely the losses in terms of lost farm output, damage to the environment, and declining receipts from foreign tourism.

Feasibility of Farm Mortgage Loans Disputed

93CH0085A Budapest FIGYELO in Hungarian
22 Oct 92 p 19

[Interview with Gabor Horvath, acting secretary general of the National Association of Agricultural Cooperatives

and Producers, by P.B.; place and date not given: "Farm Mortgage Loans a Daydream"]

[Text] *When farmland becomes privately owned, with warehousing and farm mortgage loans again available, a period of balanced tranquility will allegedly dawn on agriculture—at least according to the politicians. The blessed sun will shed its golden light on everything, and fields of rippling wheat will cover the plains as far as the eye can see.*

Before joining the hundreds of thousands of other happy people sitting on the porches of their respective small, red-tiled farmhouses, we interviewed Gabor Horvath, the acting secretary general of the MOSZ [National Association of Agricultural Cooperatives and Producers], about the actual real prospects of farm mortgage loans that are intended to play a key role in the financing of agriculture in Hungary today.

[Horvath] Farm mortgage loans have been available for centuries in more fortunate countries, and they were available also in Hungary until 1945. The essence of a farm mortgage loan in the classical sense is that a farmer gives a bank a mortgage on his land, in order to obtain a long-term loan at a low interest rate. As it is commonly said, the farmer agrees to have the mortgage entered in the land register. If the farmer, for whatever reason, fails to make timely payments of principal and interest, the bank may seize the land, which it then farms or sells.

To finance the farm mortgage loans, the bank issues and sells to investors so-called consolidated mortgage bonds secured by the mortgaged properties. For the borrower and the lender, the mortgage bonds guarantee that the investors cannot withdraw their capital from the bank directly. When the holder of a portfolio of mortgage bonds needs money, he has to sell the bonds on the stock exchange.

The mortgage bond is the safest of securities, because its redemption is guaranteed at all times by the mortgaged land, the value of which will rise steadily if farmed properly. Since the risk factor in the case of farm mortgage loans is minimal, though not entirely absent, the rates of interest on them may in principle be 5 to 8 percentage points lower than the average rates of interest on commercial loans.

Under normal conditions—in other words, when the rate of inflation is not more than merely a few percent—this difference in interest rates is already sufficient to make the obtaining of farm mortgage loans worthwhile for the financing of agricultural investments, despite their longer-than-average payoff periods; and also to enable investors to still collect real interest, even at rates that are low due to the absence of risk.

Under less normal conditions—in other words, when the inflation rate is high or fluctuates widely—the state budget absorbs the difference in interest rates at any given time. In the aforementioned more fortunate countries, of course.

These preliminary remarks had to be made before launching into a discussion of just what farm mortgage loans could mean for our agriculture, which financially has been bled white and is at the very beginning of its restructuring, against a background of economic conditions such as exist. Are the prerequisites given under which this mechanism could be viable?

To claim the right of mortgaging his land—i.e., of raising a loan secured by a mortgage on the land—the borrower must first of all be the land's owner. Admittedly, only a small percentage of the 6.5 million hectares of farmland earmarked for privatization has found new owners (or has been returned to its former owners) so far. But it is already evident that the owners of farmland are not the ones farming it, and this will become increasingly true as time goes on.

A question is whether, for the benefit of his tenant farmer, an owner would be willing to put at risk his newly acquired or just recovered farmland, even if the loan secured by a mortgage on the land did enhance in practice its value? For the entrepreneur would lose only the rent he paid if the venture failed, but the owner could lose his land as well.

Real land prices and a real land market are necessary if the mortgaged farmland is to serve as a real guarantee to the lender—i.e., to the land bank—that provides the mortgage loan. Otherwise what would the land bank do with the farmland it is stuck with when the borrower fails to make timely principal and interest payments on the mortgage loan? But we cannot speak of real land prices and a real land market as yet. The only clue to real land prices is that, in Dutch auctions of farmland, the upset price of 1,000 forints [Ft] per Austro-Hungarian gold crown of the land's valuation per hectare is quickly bid down to the lower limit of Ft500 per gold crown. In practice, that is the actual price of land. And it is unrealistically low, considering land's fundamental and unique role as one of the factors of production.

For just what purpose could a mortgage loan be obtained is the third question, and perhaps the one we should have started out with. Loan terms measured in decades mean that the farmland's yield actually covers the loan installments. Therefore, in principle—at least under our present conditions—it would be possible to obtain a mortgage loan only for an investment directly linked to farmland. Such as irrigation, drainage or soil improvement, for instance. But farming today and tomorrow will need primarily working capital, and investment of a technical or technological nature.

Therefore it will be worthwhile to examine to what extent the redreamt farm mortgage loan would be suitable for this purpose, under the conditions outlined above. Consider a tractor of average size that, in the absence of attachments, could be used merely to ride around in. The cost of such a tractor is about Ft1.0 million at present. Let us be broad-minded and use the official upset price based on Ft1,000 per gold crown,

rather than the actual price at a ratio of Ft500 per gold crown. In the case of plowland valued at 20 gold crowns, this would mean a price of Ft20,000 per hectare.

That is what could be offered as security to obtain a mortgage loan. But a loan may be approved at most for half the value of the land offered as security. From the viewpoint of a farm mortgage loan, therefore, today a hectare of farmland is worth merely Ft10,000. Thus, based on 10 years as the loan's shortest possible term, 100 hectares would have to be mortgaged for the borrower to obtain a loan large enough to pay for the tractor. However, the mortgaged farmland must serve as security not only for the repayment of the principal, but for interest payments as well. Consequently, the 100 hectares could easily become 150 hectares (a question of calculating compound interest).

But anyone wishing to buy a tractor with attachments would have to pay at least Ft3.0 million for it. According to computations for the above example, the person in question would already have to mortgage 450 hectares. And that would still leave him without a single penny of working capital.

In peaceful times of old, 450 hectares equaled nearly 800 cadastral yokes, which could be lost at the card table during a single night. In Hungary today, that much land may have as many as 100 owners. The farmland of that many people would have to be contiguous, and that many people would have to agree among themselves and with their tenants, to be able to buy a tractor equipped with attachments. Of course, for the tractor we could substitute anything else with a 3.0-million-forint price tag, the figure we arrived at in our example. (Here it should be noted that, according to model computations, the cost of fully equipping a 50-hectare farm is about Ft10 million.)

Like any example, of course, also our model harbors the danger of rough estimation. Nevertheless, it is adequate to give us food for thought about how the institution of farm mortgage loans, which is intended to solve the problem of financing agriculture, would function under our present conditions. And we have not said a single word as yet about who would provide the billions of forints with which it would be possible to begin disbursing farm mortgage loans.

Municipal Property, Business Management Analyzed
93CH0087A Budapest FIGYELO in Hungarian
29 Oct 92 p 33

[Article by Dr. Viktor Ormosy: "Local Governments and Businesses: Inside or Outside the Apparatus"]

[Text] *About a third of all local governments have developed, or are now developing, an organizational framework for managing their property and utilities, and for aiding businesses. (We discussed the relationship between*

local governments and businesses also in an article that appeared in the No. 41 issue of FIGYELO.)

The established organizations are divided, in more or less equal proportions, between in-house organizations that function as departments, groups, or offices subordinate to the local governments, on the one hand, and external organizations functioning as profit-oriented business associations or perhaps nonprofit organizations, on the other hand. On the basis of the actually functioning organizations it is safe to assume that there will be an increase in the proportion of in-house organizations functioning within the local-government apparatuses.

Two Views

In the final outcome, two views clash when such an organization is being formed. One view wants to have the local government's council involved as closely as possible, even in the preparation of the draft decisions. The increase in the proportion of in-house organizations indicates that this view is gaining ground. The advocates of the other view would like to leave to experts, as much as possible, the preparation and implementation of the plans for the management of municipal property and utilities. In their opinion, the only organizational guarantee of this happening is the establishment of a foundation or profit-oriented business association—depending on the local-government function in question, and the specific type of asset or business activity—that is independent of the local government.

The various organizations differ also in the number of persons they employ. The in-house organizations generally employ between one and 10 persons each, in contrast with external organizations, where between 10 and 80 employees per organization are typical. But there are a few business units with very large staffs numbering several hundred employees (the Flexum Rt. in Mosonmagyaróvár, for instance).

The organizations' functions are defined in various ways. One finds organizations whose functions, jointly or severally, are property management, the management of utilities, and the aiding of businesses. As a frequent solution, a local government may add the new specialized activity to the functions of one of its existing organizations (to the technical, financial, economic, or municipal development department or office).

Public Service

Government policy to promote and assist businesses can be effective only if all the organizations concerned—including also the councils of local governments—participate spontaneously and with initiative in the implementation of that policy. It should be emphasized that here a local government's council is not just another organization among the many; rather, it has a prominent role to play.

The prominence of the role stems from several sources. Among them we wish to single out particularly the public-service nature of that role, from which it follows that a performance-oriented local-government council does not necessarily equate with its being profit-oriented. Also for this reason the Interior Ministry supports the aspirations that cannot imagine without the local-government councils the development of an organizational framework for the uniform coordination of aiding businesses.

According to this concept, the megye councils could and should be the ones to coordinate, promote, and organize local economic and financial organizations and entrepreneurs on their respective territories, jointly with the municipal governments. Practical considerations—the already existing organizations, the state of the infrastructure, the programs already launched, etc.—also warrant that the county councils assume this role.

Under the PHARE [Economic Reconstruction Aid for Hungary and Poland] program, centers for entrepreneurs have already been established in six counties (Borsod-Abaúj-Zemplén, Fejér, Jász-Nagykun-Szolnok, Somogy, Szabolcs-Szatmár-Bereg, and Tolna counties). In defining their own tasks, it would be very fruitful for the other counties to become acquainted with these centers and to review their business plans.

Through competing applications, the Hungarian Enterprise Development Foundation is also able to provide financial aid for such initiatives. Once the ideas have been developed more concretely, other available grants can also be found for which to apply. When a small amount of local capital is available, the Interior Ministry and the National Office for the Development of Small Businesses are able to provide help in finding foreign sources of financing. The most effective way of solving the problem is to establish cooperation with a professional consultancy, preferably with a local one. For the fact is that the definition and clarification of the tasks, exploration of the possibilities, rationalization of what has to be done, and substantive preparation of the draft decision require professional know-how.

If a truly professional consultant can be found in the local government's vicinity, he might be willing to undertake this work for a modest fee, or perhaps even free of charge in the hope of future profit as the best-informed actor in the market later on.

Preparation

The management of property and utilities is a necessary activity for every local government. Of course, making decisions about exercising the owner's rights is within the local-government council's scope of authority. But the preparation of such decisions is far more complicated than what the organizations mentioned above—actually their staffs are never large and, therefore, not sufficiently diverse in terms of professional qualifications—are able to cope with. In accordance with the subject matter of the decisions, organizations providing

services (ranging from architect or civil engineer to broker) ought to be engaged for this purpose. Management and coordination of the decisions' preparation require specialized knowledge and experience. Therefore the duties of property manager, and of town or village steward respectively, ought to be elaborated.

The organizations should be tailored to the size of the local governments (the administrative area of the local government, the local conditions, financial situation, and natural resources). Within the administration of every local government there has to be a unit to ensure at least the flow of information between the council and the entrepreneurs. In small towns, one official (usually assigned other duties as well) should suffice. For larger towns, a group with a staff of one or two is recommended. Cities should set up a department or office. Even larger organizations are desirable for the cities with county status, the counties, and for the district and metropolitan local governments in Budapest. Indeed, the volume of the real-estate property and other assets held by these local governments warrants the establishment of separate, profit-oriented business associations.

If, after an assessment of the situation, the local government's council should decide that, for some reason or other, it is more advantageous for it relinquish exercising a part or most of its rights as owner, in favor of exploiting the local government's property and other assets for profit, then it should involve one or more (mostly more) independent business associations. In the absence of such business associations, the local government should establish them. The forms of these business associations may vary. The most advantageous form can be chosen only by modeling the particular solution intended for application under the specific conditions, and then weighing its advantages and drawbacks.

[Box, p 33]

Local-Government Partnerships

A significant proportion of the towns have recognized the need to manage their property and utilities, and to promote the development of businesses. But in their case the establishment of an independent organization is out of question, because of their tight financial situation, low total population, small administrative staff, and few entrepreneurs. In contrast, the need has been recognized for local governments to form partnerships to undertake the aforementioned functions.

Most of the already existing local-government partnerships have been formed mainly for the joint operation of public utilities, the expansion of gas mains and telephone service, or for construction work and road maintenance. In addition, one finds also joint supply-and-service organizations, and organizations for the joint maintenance of institutions. It is interesting that many local governments have abolished their old Gamesz [economic and technical supply-and-service] organizations, while other local governments have

assigned them new functions (the management of property and utilities, and the aiding of businesses).

Besides the willingness to form partnerships, there are also manifestations of opposition to them. That can be attributed in part to the failure of many people to recognize the advantages of partnerships, and in part to direct repulsion caused by memories of the joint people's councils' organization and operation. It is only natural that municipalities cherish their independence, cling to it, and will not willingly accept its curtailment. But the requirements of performing local-government functions economically necessitate cooperation. In perfecting the system of grants, therefore, the elements that provide incentives to form partnerships ought to be reinforced.

The cities with county status present the most uniform picture. Of the 20 such cities, 19 have separate departments or offices for property management, the management of utilities, and aiding businesses respectively. In several of the cities with megye status, these functions have been combined with financial, economic, and property-management functions, and with the exploitation of assets for profit, but these activities can be found also in separate departments or offices. The sole exception is Nagykanizsa, where there are as yet only plans to establish an organization that will concern itself simultaneously with property management, the management of utilities, and the aiding of businesses.

In Budapest, within the Metropolitan Department of Client Services, there is an office that advises small businessmen. The Metropolitan Mayor's Office has a staff of 16 in its section for the management of utilities and property. And a Budapesti Vagyongkezelő Rt. [Budapest Property Management Corporation] has been established pursuant to Law No. XXIV/1991. Most of the Budapest districts are in the process of reorganization but have not yet made final decisions. Many of them are of the opinion that a final decision will be possible only after the transfers of property to them have been completed, and the questions of ownership clarified. To our knowledge, these districts are leaning toward the establishment of external organizations. In those districts where organizations have been formed, we find external property-management organizations that are independent of the district mayor's office and have been established usually by reorganizing the former IKV [Real Estate Management Enterprise]; and also in-house property-overseeing organizations that, under various names, function as a subdivision of the district mayor's office.

In the counties, the solutions are just as varied as in cities with county status.

Individual Savings: Causes of Growth Analyzed

93CH0084D Budapest FIGYELO in Hungarian
29 Oct 92 p 7

[Article by Maria Zita Petschnig: "Individual Savings: One Pays for It, the Other Succeeds"]

[Text] Rapidly declining interest rates have no real effect on savings. Based on Hungarian National Bank [MNB] data, gross savings at the end of the second quarter

amounted to 1,031.4 billion forints; at the same time, however, average interest rates leveled out at about 20 percent.

Evolution of Savings in 1992
(in billions of forints)

Type of Savings	Apr	May	Jun	Jul	Aug	Sep (preliminary)
Bank deposits	464.7	477.9	493.3	513.7	534.6	554.2
Of this:						
Foreign exchange deposits	136.5	137.8	142.1	145.3	151.1	155.4
Financial institutions securities	193.7	197.9	201.5	200.3	199.5	199.0
Cash	219.0	208.2	219.4	235.1	234.3	240.1
Total	877.4	884.0	914.2	949.1	968.4	993.3
Individual loans outstanding	182.0	179.1	177.0	175.6	173.9	172.9
Net savings	695.4	704.9	737.2	773.5	794.5	820.4

Interest rates on deposits have been on a continuous decline since spring: What dropped in the summer began plummeting in September and October. The continuously lower cost of money was coupled with the tightening of ways money could be obtained, as a result of the temporary suspension of certain savings programs, and with a slowdown in the issuance of securities.

What effect will all these phenomena have on individual savings? This question must be considered very thoroughly with next year in mind, when the state household deficit is expected to exceed this year's deficit, and, according to expectations at least, when the enterprises' net savings position of this year is about to change into a net creditor position. Accordingly, in answering this question we are dealing with no less than the course to be taken by, or the change to occur in the economy next year. Are there going to be enough internal resources along with an inflation rate not exceeding the expected 16 to 19 percent, to finance growth and the expenditures incurred as a result of the system change (the bankruptcies that have an impact on banks and the state household).

One could obviously argue that if interest rates decline and if there are fewer and fewer ways to save, individuals would be less inclined to temporarily postpone consumption and to yield their income to the economy in the form of savings. But in Hungary at least, consumption tops the list of individual preferences, and most savings materialize from additional funds, after satisfying consumption. In other words, changes in interest rates have no direct effect on changes in the money supply; interest rates do not serve as the primary motivators of the money supply. Most savings materialize from the disposable portion of income over which individuals freely decide, in due regard to interest rates and a number of other circumstances.

Based on the known assumption, savings should increase next year even if we disregard interest rate changes and start out from next year's projected income and price levels, and the projected volume of merchandise and services. After all, we are able to count on a balanced supply of merchandise, a lower inflation rate, and on a larger real income. Assuming (but not accepting) that this prognosis comes true, individual savings will not automatically expand, partly because the drop in interest rates is so large (in some savings plans 10 to 20 percentage points) that it becomes a decisionmaking factor affecting the absolute amount of savings, and in part because other factors will also arise in 1993.

Losses incurred by the commercial banking industry are being recognized by those who have money, and this does not strengthen confidence in financial institutions. The deposit insurance system is going to change beginning next year; as planned, each deposit account will be insured up to 1 million forints, while interest rates will be based on the central bank basic interest rate prevailing at any given point in time.

An additional factor that does not strengthen the confidence of potential savers is the fact that an increasing number of banks accepts compensation vouchers as payment for their own stock. In such cases the increase in capital amounts to a semblance only because compensation vouchers do not constitute money and can be exchanged for money only if discounted.

Other Effects

All this counters the inclination to save. But the inclination to save has surprisingly changed, particularly in recent years. Until 1987 the propensity of individuals to save based on 100 forints of disposable income moved in tandem with changes in income; i.e., more money was saved in good years, while less money was saved in bad years. In 1988, however, the marginal propensity to save

has increased by a full percentage point. In 1989, while real income has increased by 3 percent (as compared to the previous year), the marginal propensity to save declined by 2.2 percentage points. And in 1990, while real income declined by 1.5 percent, the per-100-forint accumulated value showed a 2.6-fold increase. All this points to the fact that in addition to changes in real income, certain circumstances have evolved in recent years that significantly affect savings.

Prior to 1990, individual savings in the form of cash, securities, and deposits have increased for several years at a rate of 10-15 percent, but in 1990 the increase amounted to 24 percent (based on MNB data), and to 33 percent in 1991. As of the end of August this year, the increase amounts to 37 percent as compared to the same time last year. Last year's pace can probably be maintained also in terms of the annual rate of growth, but one cannot rule out the possibility of an even higher rate of growth than last year. And while last year the real value of savings has decreased by 1.5 percent, an increase of 8-10 percent in the real value of savings is conceivable this year.

As compared to the usual 4- to 6-percent savings rate, the same was 12 percent in 1991, and is estimated to be even higher—by 1 to 2 percentage points—in 1992. (The improvement occurred despite the fact that last year's 20.8-percent forint devaluation has also increased the value of foreign exchange reserves, which constitute 27 percent of savings, but this year's devaluation amounted to only 3.5 percent—disregarding the effects of changes in cross exchange rates.)

The remarkable growth in individual savings has been interpreted in many ways. It obviously seems as natural that capital is being accumulated in a recession in the form of money or demand deposits. This holds true insofar as capital is concerned, but it holds true to a lesser extent with respect to saving for consumption purposes, the type of savings that was characteristic for decades, insofar as the Hungarian populace was concerned. Other interpretations hold that the earlier, abnormally low accumulation of money by individuals is now being corrected. This might sound credible based on individual savings data measured as a percentage of the GDP; nevertheless, the fact that Hungary's 9.6-percent savings rate of 1991 as a percentage of the GDP exceeds the ratio of savings in the United States, Germany, France, and the United Kingdom during the decade of the 1980's, makes one wonder. (The 1992 savings rate in Hungary comes close to the Japanese index figure—produced by people well known of their thrifty management of money.)

Turnaround

There should be no doubt that the improvement in the supply of goods resulting from liberalized imports and doing away with shortage situations has reduced forced spending habits and the practice of buying goods earlier than scheduled, and all this has freed income that could

be saved. This effect, however, came to an end in 1991, and thus the situation experienced in 1992 remains an unsolved puzzle. Arguments to the effect that increasing existential security has changed public conduct, insofar as the accumulation of money is concerned, appear credible. But in this regard, too, the same response could be given as before, and the outstanding increment of 1992 could be explained only to a lesser extent.

Accepting the validity of the above arguments, I would estimate that the impacts of these processes could have increased the 1991-92 savings rates by about 40 to 60 percent. But, in my judgment, there is a different explanation for the amount of savings over and above this percentage, i.e., 70 to 80 billion forints in 1991, and 120 to 140 billion forints in 1992.

Aware of the Hungarian and Central-East European transformation processes, it appears as realistic to assume that in the aftermath of 1989 a turnaround has occurred in Hungarian household savings, one that rules out possible comparison with previous years' data. Aware of this turnaround, we must also think differently about the future evolution of savings. Characteristic of the turnaround is the fact that moneys provided by potential investors and speculators has also appeared as part of individual accumulations. Moreover, in addition to Hungarian income earners, money belonging to foreigners also increases the volume of Hungarian sources.

In other words, both entrepreneurial and foreign capital serve to increase the number of forints attributed to belonging to the Hungarian populace. (Thus the savings rate will, by necessity, be larger, because its numerator is increased by foreign sources, while the figure in the denominator—the amount of disposable income available to the populace—is smaller.) These funds concentrate mainly in foreign exchange savings (foreign exchange deposits in August amounted to about \$1.9 billion) and in securities. This assumption is reinforced by the fact that from among the items in the current balance of payments the positive balance of so-called unilateral transfers has increased since 1990 from a few tens of millions of dollars to several hundreds of millions of dollars. About 85 percent of this amount represents performance by entrepreneurs avoiding the payment of taxes after these funds. The surplus thus created amounted to \$860 million last year, and this could have been an appropriate source for last year's incremental foreign exchange savings of 61 billion forints.

Per Strata

Another new phenomenon is the fact that with a larger number of choices for saving money, savers have more flexibility than before in adapting to changing conditions, and this is reflected in the distribution of additional savings. While from the standpoint of foreign deposits becoming locked in on the basis of foreign exchange was more advantageous, new accumulations in the form of foreign exchange also grew fastest. Then the emphasis shifted to securities. At present, reduced forint

interest payments once again made the accumulation of foreign exchange attractive, but restraint manifested in the supply of securities also resulted in a faster increase in foreign deposits.

Regarding the future, all we can say in general and with certainty is this: Declining interest rates reduce the return on interest credited by several tens of billions of forints. Beyond this, one would have to consider differences between various types of savers and the purposes of their savings. Pursuing this path the following appears as likely.

- The number of people incapable of saving funds is going to increase as unemployment and impoverishment become more widespread. This is partly due to the fact that the discontinued zero-rate general sales tax creates a greater burden to people in the lower income brackets. These strata will begin to consume the reserves they accumulated during the past two years.
- Lower and middle strata, which otherwise would have been able to save minimum amounts of money, endeavor primarily to maintain their usual consumption standards; building reserves for existential security will be of secondary concern to these strata. They will maintain their savings in and exchange their forint saving primarily for foreign exchange, and this is made possible by increasing amounts of foreign exchange becoming available to the populace.
- Members of the middle and upper-middle strata will be most "squeezed" by the new situation that presents itself relative to savings. Their income already exceeds the amount needed to finance their usual consumption, but the amount of their accumulated funds is not yet sufficient to start an entrepreneurial venture, or to buy real estate or a more expensive car. Some people belonging to these strata could increase their consumption to an "irrational" extent; this change would then concentrate in an increasing outflow of foreign exchange (exerting a negative effect on the balance of payments). Others could accept the idea of earning a negative real interest on their deposits, hoping that the inflation rate would soon fall below the rate of interest paid after deposits. But it is more likely that members of these strata are going to prefer to save their money in the form of foreign exchange, or that they are going to experiment with investment funds. Particularly with respect to the upper-middle class, it is not inconceivable that they are going to invest in insurance companies if the scope of various insurance alternatives expands, thus increasing the amount of premium reserves.
- The largest movement expected to occur involves moneys held by the upper class and by entrepreneurs, especially because of the evolution of negative real interest earned on deposits. Just how they will invest in Hungarian enterprises will depend on market judgments concerning entrepreneurs and on interest rates

on loans available to entrepreneurs. (In August 1992 the real interest rate on one-year loans was 22 percent, and 20 percent on loans extended for more than a year. A greater reduction in interest charged on loans is impossible because of "bankruptcies" swept into the state household and into banks.) The most likely scenario is that members of this class are going to take their capital investments and savings abroad, to a larger extent than before.

Hazardous Waste Situation Discussed

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15 Oct 92 pp 1, 28

[Article by Gabor Rafai: "Mud-Wrestling in Galvanized Slush"]

[Text] Several years ago processing dangerous waste, such as galvanized slush, was regarded as a dynamite undertaking by a small enterprise in Szeged. The entrepreneurs at the time took advantage of the fact that those who "produced" the hazard gladly paid someone to get rid of it, and did not especially care about the further destiny of the barrels. This is how more than 2,000 metric tons of galvanized slush were deposited at the bank of the Tisza River, in the vicinity of Algyo, a district of Szeged. Through irresponsible entrepreneurs the waste traveled to the Great Plains from Gyor, Budapest, and Szekesfehervar.

The small cooperative Femszelekt of Szeged is under liquidation. However, thousands of barrels containing heavy metals and even cyanide are deposited at the bank of the river. When the liquidation procedures are over, the entrepreneurs can hardly do anything else than close the plant and hand the keys over to the local self-government. The hazardous waste will soon be guarded by the padlock alone. But what will happen in case of a great storm? If the galvanized slush is washed into the Tisza it could cause an inconceivable natural catastrophe. After the wave of bankruptcy subsidies, how many domestic companies and enterprises will leave tons of hazardous waste behind?

The hazardous waste scandal of the Szeged Femszelekt is not new. Five years ago, the local environmental protection authorities levied a fine of 13.5 million forints because, contrary to regulations, contaminants were stored in the yard of a nearby farm. Since then, the Szucs farm has been purged of the deadly danger; today, only one blue barrel split in half remains—as a memento. The waste, containing cyanide among other things, was transported to the plant at Farki-ret.

Fifty Hours of Death

"At the beginning of the liquidation proceedings, we took inventory of nearly 2,000 metric tons of hazardous waste at the Farki-ret plant of the Femszelekt Small Cooperative," says Lajos Szocs, official of Delprodukt, the company entrusted with the liquidation. "Galvanized slush is hazardous waste of the first class, and a

good part of the material stored here has already eaten through the metal barrels. If there should be a big rain, or God forbid, a flood, the contaminants will simply be washed into the Tisza. Every time I go to the plant, I have to think of the movie 'Fifty Hours of Death,' except there the mountains of barrels contained gasoline, and here, contaminants are piled up."

"Nothing happened in five years!" grumbles the present director of the small cooperative, Janos Popity. "From time to time, a committee of arbitration held a meeting; in old times, even the party committee gave special attention to the matter, but with no results. This January, when I was elected, there was only one task left for me: To declare bankruptcy. I even wrote to the Ministry of Environmental Protection, but to no avail. Finally, there was nothing left to do, so I asked for the firm to be liquidated. But we did not solve anything this way, so the barrels filled with contaminants are still standing at the bank of the river."

Six or seven years ago, buying up hazardous waste was regarded as good business. Istvan Barath, director of Femszelekt at the time, was not a fearful person: He bought tons and tons of "hazard." The environmental protection agency could not do anything because the entrepreneurs obtained a document proving that they were reusing the hazardous waste. Thus, the technology to process galvanized slush, developed by the former director, but deemed worthless by experts, received a green light. A little later, the slow process of collapse began. By now it has become apparent that the small cooperative is bankrupt, but the waste is left behind. Is this all there is to it? Sorry, we made a mistake? We miscalculated?

The Dogs Were Shot

But what should happen to the barrels, which represent enormous danger? When the liquidation is over, should everyone take home a bucket of galvanized slush?

It was not always easy to gain access to the poison factory hiding at the foot of the bridge in Algyo. There was a time when journalists were unwelcome visitors. In some instances even the dogs were let loose on them. Today, there are no more dogs at the plant, which has gone to the dogs.

"The dogs were shot, they couldn't afford to feed them," a guard of the plant says by way of an introduction, and after a short explanation he amiably guides me through the poison empire. "We have not even been paid for a good while; we were only given promises. But we still guard the waste as long as we can."

Barrels, full and empty, erect and collapsed. Many did not stand up to the adversities and split open or fell over; who knows how long the dangerous liquid has been seeping out. There are puddles everywhere on the ground, and it seems that rust is floating in the water: murderous rust.

"Did no one want to come in here?"

"Oh, yes. People have climbed over the fence already. We couldn't do anything—the area is huge. While we are checking one end, they can easily come in on the other. Whoever gets in here has no idea of the danger he is exposed to."

It is indeed advisable for the visitor to watch his step, or otherwise he might easily carry a little galvanized slush home on the sole of his shoes. One can only guess what is actually inside each barrel. Only one thing is sure: They are all contaminants.

"Who could have given a permit to do this?" one is tempted to ask, faced with the horrible sight.

"When they came here from the environmental protection office, they made us pick up. But today no one cares about that any longer. They say the barrels should be transported to the hazardous waste cemetery. But how on earth could that be done? Some of them weigh 300 kg; if we lifted them, they would split like a soggy paper bag."

"Professionally, the transportation could be solved," Dr. Tibor Major, director of the Lower Tisza Area Environmental Protection Authority, assures me. "Only one question remains unsolved: Who will pay for it?"

"How much would it cost to divert the danger?"

"Very much. These barrels should be transported to Aszod, to the hazardous waste cemetery. There are entrepreneurs who would do it, but the transportation would consume at least 50-60 million forints. It could become necessary to change the soil, and if we add to it all the other costs, the cost of diverting the danger in a satisfactory way could easily amount to 100 million forints."

They Had To Applaud....

"Why is galvanized slush so dangerous?"

"Mainly because it contains heavy metals. Farki-ret is in the flood plain of the Tisza River, and is, moreover, a deep, watery area. In case of a flood, the heavy metals would contaminate the river and the fauna within days. The natural self-cleansing process of the river would stop in an instant, and the contamination would lead to an unforeseeable natural catastrophe. Moreover, the barrels of more than 350 tons of galvanized slush containing cyanide and cadmium, which were brought here from the Raba factory in Győr five years ago, are also still here at the plant."

"Also, this is only the beginning of a process. The wave of bankruptcies has started; the companies producing hazardous materials are going bankrupt one by one, and they leave the waste behind—without a master. Today, environmental protection is the pet peeve of only a few desperate experts. People dump their used oil into the

river without qualms, but when such a waste scandal is revealed, they immediately call for police."

"Why did the environmental protection authorities not get involved sooner?"

"Because we had no legal basis to do so. When Mr. Barath dreamt up this plant, completely different regulations were in force. At the most we were able to levy fines if we found irregularities. And we did that. To be sure, five years ago the agency levied a fine of more than 13 million forints in vain. After the liquidation is finished, they can do no more than write it off as a loss. Although at the time the experts saw that the technology developed by the former director was worthless, they could not interfere. Istvan Barath had a 'document' proving that he is using the processed hazardous waste as raw material, and under these circumstances the environmental protection authority could only do one thing: professionally it had to applaud."

The Danger Remains

"In reality, Femszelekt only bought up the hazardous waste, and collected it from the whole country, because it was paid for bringing it here. Processing did not promise such a profit, and for this reason it was not pushed so much. In a few instances we stopped delivery, but then everything started all over again. After the liquidation the environmental protection agency can do one thing: It can order the continued supervision of the plant. But to whom should the order be addressed?"

"If they brought the key of the plant to the self-government of Szeged, we wouldn't know what to do with it. Moreover, it is not even our task," says Jozsef Tuhegyi, deputy mayor. At the mention of Femszelekt he buries his face in his hands. No wonder, since in the past few years the small cooperative caused a lot of trouble for the town, as well. "We don't have 100 million forints to liquidate this poison plant."

"What could the solution be?"

"Shall I be honest? I don't know! One thing is certain: New entrepreneurs must not be allowed at this plant. We had enough of adventurers. They caused enough damage already as is. The ministry, the environmental protection authority, and the self-government must cooperate. Maybe together we will find a solution."

"If someone finds an unexploded bomb in his backyard, he doesn't ask how it got there; rather, his first thought is how he could get rid of it," argues Lajos Szocs, who

conducts the liquidation. "However, it will not be easy to get rid of this hazard.... The property of Femszelekt is worth less than 5 million forints, but its debts amount to 45 million. Add to this the 100 million, the price of transporting the hazardous waste. The cooperative did not even have enough money to place an ad for the auction. We, the liquidating firm, loaned it to them."

"Did you auction off the barrels with the galvanized slush?"

"Theoretically we should have, but if we had, people would have laughed at us. Who is stupid enough to buy contaminants for 100 million? For a whole year there has been no production at the plant. The machines are rusty—the plant went bankrupt. This is what one calls a stalemate. Of course, the stake is much greater than in a game of chess. And the former adventurers moved on, so only the waste was left behind. Today Mr. Barath is making a living as a private entrepreneur, and the galvanized slush only haunts him in his nightmares."

"One should find the responsible parties," says the deputy mayor of Szeged. "After all, it is baffling that a few irresponsible entrepreneurs can put the town into a situation like this, and can ruin the environment with impunity."

It is dreadful to imagine what would have happened if the hazardous waste processing plant had miraculously been built in Algyo a few years ago, according to the plans of the directors of the cooperative at the time. The plans were drawn up, but only a debt of 3 million forints remains, because the planning firm has not received any money for its work up to this day.

In the meantime, directors came and went, but none of them knew what to do about the dangerous inheritance. Some of them tried to avoid publicity, and others were brooding quietly, while the danger was increasing: Everyone brought more and more waste to keep the firm alive somehow.

"Even this year we were obliged to accept two deliveries according to contract," complains Janos Popity, director, "although at the beginning of the year it was already apparent that the cooperative cannot escape ruin."

The whole country is resounding with environmental scandals. The soil is contaminated, the river is contaminated, the air is unbreathable. Who will pay attention to the fact that five or six years ago a few adventurers placed a time bomb at the bank of the Tisza, which is ticking louder and louder?

'Euroregions' Aim To Overcome National Barriers

93EP0051A Warsaw GAZETA WYBORCZA in Polish
22 Oct 92 p 5

[Article by Edward Krzemien: "A Europe Made Up of Regions"]

[Text] Yesterday the minister-president of Mecklenburg talked with Prime Minister Suchocka about creating a Pomerania Euroregion, which would cover Szczecin Voivodship, and, on the German side, 14 districts of Mecklenburg and Brandenburg. How will Poland reply to this latest German proposal? Are Euroregions, which encounter strong psychological resistance, the future of the Polish economy and foreign policy?

Great treaties have established Poland's position in Europe. Whether we will be able to take advantage of this now depends on regional cooperation with our neighbors, the Ministry of Foreign Affairs (MSZ) is telling us. But, for the moment, this is a cry in the wilderness. There is no law on transborder cooperation, the Polish local authorities are too weak, and there is no one on the governmental level who will concern himself with this.

Regions and States

Germany is a federation of 15 states, five of which were formed on the territory of the former GDR. At Minister Skubiszewski's invitation, the minister-presidents of Brandenburg and Thuringia have already been in Poland, and, last week, the minister-president of Saxony-Anhalt was here. Now the minister-president of Mecklenburg, Berndt Seite, is in Poland.

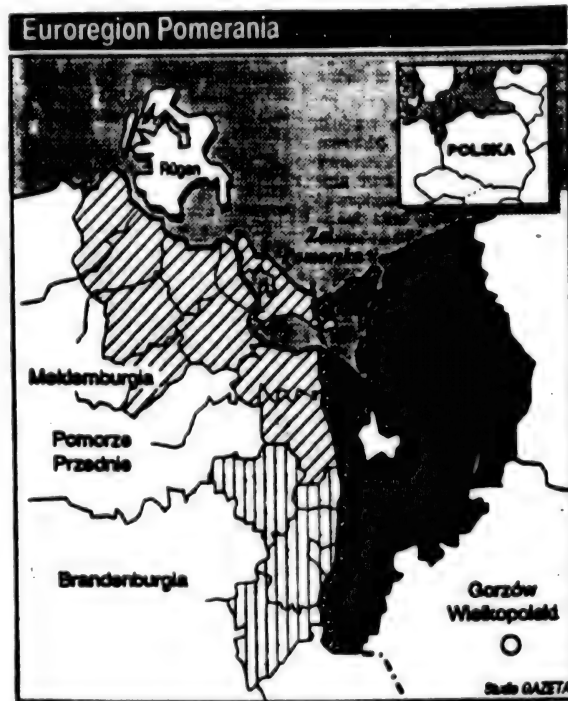
In 1989, approximately one-sixth of all of Poland's trade exchange was with the GDR. There is almost no exchange with the five new states that have been formed in this territory. Both sides know that it can be rebuilt only through direct regional cooperation. In Germany, it is the states that have money.

And it is the states that are coming out with border initiatives for exchange with Poland. Last year, a plan proposed by the minister-president of Brandenburg, Manfred Stolpe, appeared; it unfairly received very bad press in Poland—it was suspected of being a new Drang nach Osten [drive toward the east].

For a year now, the Germans have been trying to sell us on the EC's experience with Euroregions. They talk about the German-Dutch and the German-French Euroregions, which, more effectively than any other kind of action, broke down the historical, cultural, and economic barriers between their nations.

Will There Be a Pomerania Euroregion?

On 9 November in Pasewalk in Western Pomerania, 14 districts of Mecklenburg and Brandenburg will form a



Pomerania Euroregion on their side of the border. The partner on the Polish side will be a union of gminas of the Szczecin Voivodship.

Berndt Seite, the minister-president of Mecklenburg, explains that, as long as Poland is not a full member of the European Community, such a form of cooperation is the best road to a Polish-German Euroregion in the future. A Pomerania Euroregion, registered in Germany, would be able to obtain additional financing from the EC regional fund. Seite assures us that all assistance from the EC will be divided on the basis of parity between Poland and Germany.

The First Specifics

A Nysa Euroregion has already been formed at the juncture of the Polish, Czech, and German borders. There are plans to create a similar region between part of the Zielona Góra Voivodship and the Saxony districts (Szprewa-Nysa-Bobr Euroregion).

Werner Munch, minister-president of Saxony-Anhalt, last week sent Minister Skubiszewski a list of Saxony enterprises interested in cooperation with Poland. It was decided that a Polish-German society promoting economic activity would be formed. Saxony will also assist in the recultivation of the site of a fire in the Kuznia Raciborska area. A letter of intent on cooperation between the Halle District and Katowice has also been signed.

Kohl Is Waiting for Suchocka

We have learned unofficially from the MSZ that the visits of the minister-presidents of the new states are directly connected with Prime Minister Suchocka's planned trip to Germany. A few days ago, she announced that, together with the chancellor of Germany, she will consider ways "by which the democratic West could effectively support the processes of political and economic transformation in Central Europe."

But regional cooperation with Germans will encounter psychological resistance, said Bogumil Krol, adviser to the minister in the MSZ. There is a great deal of fear of German expansionism. Before World War II, the world economic potential of Poland and Germany was 1:3, and, in extreme cases, 1:5. Today the difference is as much as 1:10, and, in some fields, 1:15. It is understandable, therefore, that the quite natural gravitation of Germany to the former German East evokes bad associations.

It appears that the government does not take these social moods lightly. The Christian-National Union (ZChN), particularly Deputy Prime Minister Henryk Goryszewski, is sensitive to the "German threat."

That is probably why Prime Minister Suchocka said on Sunday in Lublin that border cooperation cannot take on a form that would "cause Polish public opinion to become upset."

That is also perhaps why the Szczecin Voivodship self-management Sejm proposed that the Danish island Bornholm and the Swedish Province Skane be included in the future Pomerania Euroregion, which initially was to cover only our southwestern voivodships and Mecklenburg.

Minister-President Site, in attempting to dispel these fears, during Wednesday's news conference stressed that the creation of a Euroregion in no way means that a border will be eliminated or even "punctured." All of this is to take place according to the internal regulations of each country.

No Polish Partner

Poland today is not prepared to enter so quickly into regional politics on the scale that is practiced in the EC. Both sides here use the term "asymmetry."

The Germans complain that they are not finding a partner in Poland that will make decisions. The voivodes cannot play this role because they have too little power, and the voivodships have too small an economic potential. The promised—for two years already—reform of the country's administrative division has not gone beyond the idea phase. There are to be 10-12 or 15-18 strong regions, or 27 large voivodships, but no one knows when this will happen. Right now the main disposer of the money and authority is still the central government.

The MSZ concerns itself with transborder cooperation—out of necessity and conviction.

It is Minister Skubiszewski who invites the minister-presidents of the German states. This does not conform with diplomatic protocol, the formalists say to the minister: Why, the position of minister-president of a state government in Germany is lower than the position of a federal minister. But the real power and money is in the states, argues Skubiszewski. The states make autonomous decisions on their economy, education (in Germany there is no minister of education at all at the federal level!), agriculture, trade, and entrepreneurship.

Transborder Spokesman and the Law

But someone in Poland must concern himself with the coordination of transborder cooperation. The MSZ believes that this should be a special government plenipotentiary.

What is also needed, according to Adam Halacinski, a department head in the MSZ, is a law that clearly defines who is to participate in transborder cooperation and how this is to be done, what the central government will do, and what kind of powers the voivodes will have.

Halasinski believes that we must clearly say that we are not striving for any autonomy of regions.

Clearly defined rules will make it easier to obtain social approval for the restoration of the natural ties to our neighbors, severed when we came out of communism.

Then situations such as those that recently occurred in Silesia will not happen. The creation, on 25 September in Sosnowiec, of a Union of Upper Silesia and Northern Moravia Gminas, made up of 68 Polish gminas and 64 gminas from beyond the southern border, was regarded by the local Center Accord, the Christian-National Union, and the Confederation for an Independent Poland as an attempt at making Silesia autonomous and weakening the political and territorial integrity of the Polish State.

Not Only With the Germans

Several days ago in Rzeszow, representatives of Poland, Slovakia, Hungary, and Ukraine agreed upon a statute for the Karpaty Euroregion and decided that they will sign the pertinent agreement by the end of the year.

It began with the idea of expanding the Bieszczady National Park beyond the border of Poland and creating an International Biosphere Park. This would be the only park in Europe that would not be "national," but, rather, "trinational" (Poland, Slovakia, Ukraine). This plan was already presented, with success, at the earth summit in Rio de Janeiro.

In addition to protection of the natural environment, plans are being made for joint commercial ventures, assistance in case of catastrophes, new border crossings, the development of tourism, and rapid communication.



Options, Future of Polish-Russian Trade Examined
93EP0034B Warsaw GAZETA BANKOWA in Polish
11-17 Oct 92 p 3

[Article by Joanna Trepkowska: "The Russian Account"]

[Text] Several Polish agglomerates sometimes prejudged the needs of the Russian market with respect to economic development. Natural trade relations that have existed for several centuries are today beginning to disintegrate. Polish-Russian trade is getting lost in a Bermuda Triangle that developed between the ruble, the dollar, and the zloty.

According to data of the Ministry of Foreign Economic Cooperation, Polish exports decreased to a level of 5-8 percent of traditional value, but import was maintained at a level of 25-30 percent of turnover before 1990.

Commodity turnover between Poland and the Russian Federation during nine months of the current year reached a level of \$1.3 billion. Russian exports to Poland were \$900 billion, and Polish exports to Russia \$400 billion.

Of these sums, \$820 million and \$200 million, respectively, represent the value of so-called centralized deliveries.

Over the past several decades, trade between Poland and the Soviet Union was carried out according to non-market principles. This disappeared along with the collapse of communism. Chaos developed during the transitional period. The window of the "dollarization" of trade and the equalizing of prices with world prices, which Moscow wanted, fell through. Instead, an exchange of goods occurred, known from time immemorial and termed "barter" by modern economists.

The Dollar in a Closed Vessel

The first free currency accounting appeared as early as 1990, although old principles of economic cooperation were still in force. The year 1991 marked the end of the era of the ruble in foreign trade; hard currency accounting was introduced supplemented with indicator lists. Theoretically, purchases in our country were to be financed by money that Polish companies paid Russian exporters. But this concept of currency circulation in a "closed vessel" was burdened by a serious error. The structure of trade with the former Soviet Union is such that our companies will continue to be interested for a long time in purchases of raw materials from the east: gas and petroleum. On the other hand, there were no guarantees that the dollars Poland pays would be used for purchases in our country. Therefore, this model was supplemented with central barter. Today, trade occurs mainly on principles emanating from the protocol signed in December 1991, and from letters exchanged in March 1992.

Types A and B accounts of the Russian Foreign Trade Bank (Rusvneshtorgbank) in U.S. dollars were opened at the Bank of Commerce in Warsaw. These accounts contain Russian money received for the export of petroleum and natural gas to Poland. Money in account A is marked for financing Polish commodities included in the protocol: coke, sulfur, pharmaceuticals. The B-petroleum and the B-gas accounts belong to direct exporters of both these commodities. Initially, 38 percent of proceeds from the export of petroleum and gas to Poland were deposited in account A. The remainder was deposited in account B. In accordance with the decree of President Yeltsin, proceeds since July have been divided into 50 percent shares for each account. Everything looked great in theory, but, in practice, this mechanism seems to work very poorly.

Polish importers settle their accounts with the Bank of Commerce without delay.

By the end of September, trade within the framework of centralized deliveries realized through accounts A and B amounted to \$714 million export to Poland and \$79 million export to Russia.

The Russian party has for a long time had at its disposal significant amounts in account A that have not been used for Polish imports.

Polish exporters are not receiving orders for articles that were listed in the bilateral protocol. There is particular uneasiness about the level of pharmaceutical exports, for which only two letters of credit were opened: in July for \$10 million and in September for \$2 million.

Some Polish exporters are convinced that the Russian Federation is trying to accumulate significant sums of hard currency in foreign accounts, which might be useful at a critical moment. But there is a more prosaic reason. Just as our "gas people" do not have zlotys to settle charges in the gas-pharmaceuticals exchange, the Russian importers of Polish medicines do not have the rubles to buy the hard currency needed to finance purchases in Poland.

The B accounts in which hard currency belonging to exporters of petroleum and gas was accumulated are also dead. Russian enterprises can finance purchases in our country from these accounts, but, obviously, only if they are interested in what our companies offer.

Contacts with petroleum exporters should be especially valuable. They will have a significantly greater influx of hard currency than gas exporters.

This year's protocol anticipates that we will buy 7-8 million tons of petroleum on the Russian market. Thus far, Polish refineries have accepted 3 million tons of petroleum, but signed contracts for over 5 million tons. For the year, the B-petroleum account should have deposits of approximately \$300 million.

Sham Liberalism

As is apparent, the squaring of accounts on the basis of the joint protocol and letters of intent is at present a basis for trade between Poland and Russia. Despite this, barter realized outside the central agreements are assuming ever greater significance. Their scale is difficult to assess.

The shortage of hard currency, particularly on the part of Russian enterprises, promotes such transactions. But the Government of the Russian Federation, which wants at all costs to settle all external transactions in dollars, regards them with diminishing favor.

Despite the declaration that Russia intends to liberalize the foreign trade principles that are in force, regulations are appearing that impede barter agreements and favor the formation of monopolies.

Since 1 July, the quotas and licenses applied to the export of strategic raw materials have been lifted, but, at the same time, the right to conclude export contracts was accorded only to companies accepted and registered by the Ministry of Foreign Economic Relations of the Russian Federation.

In this way, the state ensured for itself complete control of export of the most profitable commodities. The list of strategic raw materials included 13 groups of commodities, which constitute approximately 80 percent of Russian exports. Thus, small producers and agents, contractors of our private importers, lost the possibility of participating in the turnover of the most attractive commodities.

These regulations may make activity of small Polish trade companies significantly more difficult, the more so because economic instruments of trade regulation are being constantly added to the administrative export barriers. Barter is especially discriminated against: Even today, barter is subject to a 30-percent surcharge in export tariff; this negated the profitability of the transactions. A 50-percent surcharge will be imposed next year.

The Shadow of Debt

Polish-Russian cooperation is also encumbered by the shadow of mutual claims and debts. The best solution to the problem of mutual debt would be acceptance of the "zero option" proposed by Poland. However, the problem of which debts to include in these settlements arises. The Russian party believes that annulling mutual obligations should encompass all debts: debts, interest, settlements after the former CEMA and those resulting from the withdrawal of the Russian military from Poland. Our side did not accept this.

The Ministry of Finance believes that Polish amounts due Russia that are a result of credits once drawn on amount to approximately \$7.5 billion. This sum includes \$1.8 billion and 4.8 billion transfer rubles. Our debts to the Russian Federation also amount to \$7.5 billion; these

are export surpluses from 1990 and 1991 in the quota above \$7 billion, as well as \$300 million from the clearing exchange that was not charged.

Also unresolved is the matter of Polish claims to property of the former CEMA. Our country has a 12.8-percent share in this property. Western consulting companies estimate the value of CEMA property at several million dollars. Russia wants, among other things, to annul the interest on Polish credits as payment for annulling the Polish part of the debt. A new "zero option" has therefore appeared that, in turn, demands long and complicated negotiations.

The visit of the Russian prime minister made possible the signing of several economic agreements. The most important is the agreement on the protection of investment. But many things remain to be settled. The shape of a long-term agreement on deliveries of important strategic raw materials was not determined. No agreements were reached in the matter of trade protocol for the coming year.

Volume of Exports and Imports Between Poland and Commonwealth of Independent States
(In Millions of U.S. Dollars)

Country	Receipts From Export of Goods and Services	Expenditures for Commodity Import
Russia	525	784
Belarus	11.5	17.1
Lithuania	4.9	5.6
Kazakhstan	6.3	2.07
Ukraine	13.1	9.3
Total	573	830.7

Improvement in Balance of Payments Noted

93EP0036B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 8 Oct 92 p 1

[Article by P.J.: "Poland's Balance of Payments"]

[Text] It looks like our foreign trade is the best-performing element of our economy. Its performance was reported at the press conference organized by the National Bank of Poland. According to the presented data, the balance of foreign trade for the period from January to August reached \$480 million. In a like period last year, it was negative to the extent of \$1.17 billion.

This extremely high improvement in the balance of current trade resulted chiefly from the definite improvement in the balance of merchandise payments, which soared from \$1 million to \$1.006 billion, and the balance of official transfers, which, in a like period last year, amounted to \$63 million, whereas now it is \$1.37 billion. The increase in the value of official transfer is due chiefly to the amortization of 80 percent of Poland's debt interest by the Club of Paris.

The current condition of the balance of merchandise payments is represented by income from exports amounting to \$9.252 billion, and outlays on imports amounting to \$8.246 billion. Compared with last year, import outlays remained at a similar level, while income from exports increased by \$1.002 billion. To be sure, in August alone, compared with August 1991, exports increased by 17.8 percent and imports by 30.9 percent.

The balance of income from services remained roughly the same as in a like period last year—that is, \$241 million (last year, \$219 million). This is happening despite the decline in volume of services. The balance of income from assets amounted to \$47 million.

The balance of interest payments on the credits paid and received by our country continues to be negative. This deficit worsened to \$2.193 billion from \$1.403 billion. The income from interest payments declined by 41.1 percent, while the payments disbursed increased by 33.9 percent, to \$2.193 billion. It should be borne in mind, however, that the method used to compose this balance sheet was such that the payments amortized for Poland by the Club of Paris also are considered under the item "Interest Payments." (To offset this, they are considered later under the item "Official Transfers.")

Despite these optimistic figures, it is noteworthy that August was the first month in this year during which income from exports was below import outlays. Still, according to preliminary data, the balance of foreign trade in September is going to once again be positive. This periodic increase in imports last August was principally due to the poor harvest and, as a consequence, a decline in crop exports.

National Bank Chief Foresees Higher Inflation

93EP0036A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 8 Oct 92 p 1

[Interview with Hanna Gronkiewicz-Waltz, chairperson of the National Bank of Poland, by Pawel Jablonski; place and date not given: "Will There Be More Inflation? Everything Depends on the Sejm"]

[Text] [Jablonski] According to preliminary estimates, inflation in September was at the 5-percent level. For October, it is expected to be 3.5 percent. In your opinion, does that mean that inflation is going to diminish? Can inflation be maintained at the expected level?

[Gronkiewicz-Waltz] I suspect that this higher inflation rate will persist until the end of the year. Will there be more inflation? Please bear in mind that a decrease in inflation had been planned for the second half of the year, and so inflation obviously will be higher than planned. But I cannot say yet how much higher. According to materials received from the Ministry of Finance, instead of the planned 37-38 percent, the inflation level for 1992 as a whole will be 3-4 percent higher. We consider that possible.

At the same time, the growth of inflation will hinge on the Sejm's decisions. If the Sejm refuses to accept the cuts in budgetary spending, the danger of an inflationary spiral at the end of the year and early next year is quite real. On the other hand, if the Sejm passes the budget amendment, it will be possible to maintain inflation at the 40-odd-percent level, a level that, it should be borne in mind, would, even at that, be lower than last year's.

Then, also, there is the problem of the effect of the present situation on the rate of next year's inflation. There is no certainty that that rate will be lower than this year's.

[Jablonski] In your opinion, what is the reason for the current growth in inflation?

[Gronkiewicz-Waltz] It is the rising budget deficit, of course. Then, also, the September price increases were due to the drought. But, at year end, inflation will be exclusively due to the budget deficit. It is even possible for unbacked money to be printed.

[Jablonski] Even if the growth of inflation is successfully halted by year end, it will still be higher than the prime interest rate. Does this mean that, under the policy of a positive [higher than the inflation rate] interest rate, the prime interest rate will be raised?

[Gronkiewicz-Waltz] The positive interest rate is to apply chiefly to commercial credits. At banks, credits bear an interest rate that is consistently higher than the inflation rate. At some banks, loans are so expensive as to raise eyebrows. Everything indicates that these banks charge such high interest rates in order to compensate their losses due to bad loans. Thus, there is no need to raise the prime interest rate charged by the central bank. What matters is that, given the existing conditions, we shall certainly not lower the prime interest rate, even though that is often suggested to us—by the Council of Ministers, for example.

[Jablonski] For this year, the zloty [Z] was planned to be devalued at a level corresponding to the inflation rate. Given the price increases, do you anticipate an accelerated devaluation so that the dollar will not lose in real value relative to the Z?

[Gronkiewicz-Waltz] Everything depends on the inflation rate. If it is higher than planned by just those several percent, there will be no need for a devaluation. However, if the inflation rate is much higher, we shall not avoid the devaluation. I myself believe that there will be no need for a devaluation if the inflation rate over the year is only 5-6 percent higher than that anticipated at the beginning of the year—that is, even if that rate becomes somewhat higher than the 3-4 percent I envisaged in the latest forecast of the Ministry of Finance.

[Jablonski] What do you think about the financing of the state budget by the NBP [National Bank of Poland]?

[Gronkiewicz-Waltz] In the present situation, in the absence of chances for foreign credits, the central bank

unfortunately has to assist the state budget. We are willing to increase our assistance by raising to Z40 trillion from 30 trillion the amount of the Treasury bonds we can purchase. It is expected that the money supply will increase from Z127 to 148 trillion. The increase in the value of the money supply is largely influenced by the growing worth of foreign-exchange reserves.

[Jablonski] Don't increased credits for the state budget mean a decrease in the real value of the credits granted by the banks to the economy?

[Gronkiewicz-Waltz] In the first half of the year, the increase in the real value of the credits granted to the economy was 1 percent. It is hardly likely that the expected 6-percent increase was accomplished. An additional danger is often the practically morbid caution of the banks when granting loans, due to their experiences with insolvent debtors. Quite often, banks demand of potential borrowers collateral corresponding to the value of the loan plus interest.

Of course, this restricts the scope of their loans, and, as a result, they are more willing to lend to the government in order to offset its budget deficit than to lend to the economy. This is not right; in the end, by their very nature, banks must take some risks. That is why it is important to train bank personnel in estimating and managing banking risks.

Proposed Tax Changes, Consequences Noted

93EP0036C Warsaw *RZECZPOSPOLITA*
(*ECONOMY AND MARKET* supplement) in Polish
9 Oct 92 p 1

[Article by Katarzyna Jedrzejewska: "Either the Budget or Capital—Changes in Personal Income Tax"]

[Text] A law amending the existing law on the personal income tax has already been drafted. The principal changes ensuing from these amendments are discussed below by [Deputy] Minister of Finance Waldemar Manużewicz.

"We are proposing that the tax scale be frozen. This means that the scale would remain the same as in 1992. At the same time, one more tax threshold would be introduced. At present, the upper limit of the tax scale applies to incomes exceeding 129,600,000 zlotys [Z] annually, on which the tax levied amounts to Z31,536,000 plus 40 percent of any income in excess of Z129,600,000. We are proposing to introduce an additional ceiling for incomes exceeding Z194,400,000. People with such incomes would have to pay a tax of Z57,460,000 plus 50 percent of any income in excess of that amount.

The next proposal was already contained in the "Pact on the [State] Enterprise," and all that is needed is to incorporate it into the law on the personal income tax. This concerns the possibility of deducting from the tax

base the income used to purchase stock or shares in privatized enterprises. Up to four times the average monthly wage would be deductible for that purpose. At the same time, there would be retained the tax law provision exempting from taxation the income derived from the sale of shares in joint-stock companies formed under the law on the privatization of state enterprises, as well as from the sale of publicly traded securities. This would mean that, next year, income from both the primary and the secondary stock and share market would not be taxed.

The system itself of collecting monthly advance tax payments would also change. This year, all taxpayers paid a lump-sum 20-percent tax advance monthly, and the difference between the tax due as estimated for the year as a whole and the sum total of the advance tax payments collected is calculated. The change we propose would consist in applying tax progression from the very beginning of the year. In successive months, taxpayers would make 20-percent advance tax payments. These payments would be added up. For the month in which a taxpayer exceeds another tax threshold, he has to make a higher advance tax payment. If in June it turns out that the taxpayer has earned more than Z64,800,000 since January, beginning with July a higher advance tax—namely, 30 percent—will be deducted from his monthly paycheck. If in September it turns out that the taxpayer's combined income between January and September exceeds another threshold—namely, Z129,600,000—in October and subsequent months, that taxpayer will have to make advance tax payments of 40 percent.

In the Opinion of Businessmen

We asked representatives of Polish capital—namely, Piotr Buchner, chairman of the Buchner Foundation, and Marek Goliszewski, chairman of the Business Club—what they thought of the above project of the Ministry of Finance.

Piotr Buchner: "We must ask ourselves several basic questions: Do we want to pursue populist notions, or do we want to have our own Polish capital? How many people will flee this country if they begin to believe that it does not pay them to work and earn more? Where is the national interest? If we want to have a so-called middle class in this country, we should pay attention to retaining capital in this country and providing incentives for investment. Yet, the proposed changes in the tax will penalize people who want to work and earn more.

"Throughout the world, taxes are a highly controversial issue. It is no accident that tax oases, whether in Andorra, Liechtenstein, or Monaco, are arising. To affluent persons, shifting funds to another country is no problem. That is being done by even the Swiss, who in general are thought to be citizens who conscientiously fulfill their obligations to the state. Except that we should not compare an economically stable country with one in

which stability is still a goal. I think that, in our situation, we should give priority to introducing the value-added tax."

Marek Goliszewski: "I would not be opposed to the introduction of the higher 50-percent threshold if, at the same time, I would be given the right to debit investment outlays to operating cost. Unfortunately, the government is so focused on rescuing the budget as to act unilaterally. This certainly does not encourage investment. In my opinion, the higher depreciation rate the government is offering investors at present will not solve the problem. I fear that raising taxes will merely spur the so-called underground economy. In addition, I am increasingly often receiving signals that Poles are transferring their businesses to other countries—recently even to Czechoslovakia. Perhaps, instead of raising taxes, the system of tax collection itself should be streamlined and the gray areas more precisely defined?"

[Box, p 1]

In a Taxpayer's Opinion

The triple tax blow aimed at the incomes of individuals with the highest earnings can best be explained by using a simplified and perhaps extreme example. Imagine that Mr. X had a gross income of Z20 million monthly in 1992 and each month made an advance tax payment of Z4 million, which added up to Z48 million after 12 months, and, after the year was over, he paid an additional Z27,696,000 in taxes due. His net earnings were Z16 million monthly, of which he set aside Z1.5-2 million monthly in order to pay the balance of the tax. Assume further that, on 1 January 1993, Mr. X received a pay increase of Z6 million gross per month, or 37.5 percent more, which was to compensate for inflation—although it does not, but that is a horse of another color.

Mr. X will have Z9,688,000 deducted from his pay every month, and his net earnings will total Z16,312,000, despite the high inflation and the pay increase offered by his employer. In truth, Mr. X does not have to set aside Z1.5-2 million monthly for the year-end tax because the state is taking care to "prevent the buildup of any substantial taxpayer obligations after the elapse of the fiscal year."

The attempts so far to introduce the 50-percent threshold were foiled by major arguments—for example, concerning the problems this would cause in cases in which a company's income (40-percent tax rate) meshes with the income of its owner. A 50-percent tax rate, which has already been established for incomes of about US\$1,100-1,200 monthly, will be an incentive to evade taxation legally wherever possible—that is, in small companies and for foreigners who will prefer the option of being taxed in their own countries (on the basis of agreements to avoid double taxation). Because the fiscal effects of introducing the 50-percent rate will be relatively small, it may be assumed that the intent behind it is mainly political.

In contrast, the other two proposals appear to be fiscally more promising. At the same time, collecting the tax in full rather than in advance installments—as in this year and earlier, under the socialist equalization tax—will undoubtedly harbor problems. What should be done about tax overpayments when the taxpayer suddenly forfeits or fails to attain a substantial part of his income, what should be done when the husband and wife file a joint tax return, and so forth?

At present, such matters concern a small group of citizens: top experts, business executives, persons in the free professions—in a word, people who generally make a good living owing to their above-average intellectual efforts, investment of their own resources, risk-taking, and so forth. Freezing the tax thresholds—that is, maintaining the status quo as far as the tax rates are concerned—would mean that the incomes of a larger number of people will be subject to higher taxes as early as this coming January.

In sum, all three proposals will undoubtedly spur looking for legal loopholes as regards employment, pay, costs, and so forth. This is a sensitive issue because, in a situation in which the budget deficit is being reduced, someone must bear the burden. In this case, the distribution of the burden and the pace of the changes are debatable.

It is doubtful, however, whether the government can implement drastic changes in the rules for a just introduced tax to the disadvantage of the taxpayer, or bring about a more equalized range of personal incomes. At the same time, there is no reason to believe that it will abandon this goal as rapidly as it has adopted it—on the contrary. History teaches that raising taxes works like a narcotic, and the cure for this addiction is difficult and tardy.

—by D.E.

Reliability of Private-Sector Statistics Doubted

93EP0036D Warsaw RZECZPOSPOLITA
(ECONOMY AND MARKET supplement) in Polish
13 Oct 92 p 1

[Article by Anna Wielkopolska: "Poor Performance or Concealed Income? Central Office of Statistics on the Private Sector"]

[Text] The widespread belief in this country that the private sector performs best is in glaring contradiction to the studies of the Central Office of Statistics (GUS). In the light of its recently published data, it turns out that, by shopping in a private store, we are being charitable. Even in such a lucrative field as merchandising, the private sector has reached an insignificant (0.2 percent) degree of profitability and a negative balance sheet. GUS figures indicate that most private companies in Poland are not economically viable, and that the receipts of the state budget from them are only a tiny fraction of the receipts from state companies.

GUS has studied nearly 21,100 enterprises employing at least 20 persons each. These companies represent the principal branches of the economy: industry, construction, transportation, and trade, as well as two sectors—public and private. The public sector includes state enterprises, Treasury-owned companies, municipal enterprises, and mixed companies, while the private sector consists of private ownership, foreign ownership, and mixed ownership.

The most important factor in these studies is that most of the companies surveyed are private enterprises, totaling nearly 13,000, whereas public enterprises were represented by 8,100 firms. The studies cover the first quarter of this year. Of the total of 829,260,000,000 zlotys [Z] in incomes recorded for the first six months of this year, the private sector in Poland accounted for only 26.2 percent (Z217,184,000,000), while the public sector accounted for 73.8 percent. This means that the 8,000 state companies earned an aggregate income of Z612 billion, whereas the 13,000 private companies earned altogether only Z217 billion.

Analysis of discrete branches indicates similar proportions: In industry, the private sector accounted for 12.6 percent of overall income, with the remaining 87.4 percent generated by the public sector. These proportions are somewhat more balanced in the case of construction. Under the general assumptions, private enterprises should be more efficient than state-owned ones. This concept is confirmed in the case of merchandising, where the public sector accounted for 61.9 percent in the first half of the year and the private sector 48.1 percent. (In revenues from sales, these proportions are similar.)

Income is decided by various factors. The fact that Polish entrepreneurs have not yet bested the state sector may be attributable to the private sector's still being in swaddling clothes. But a different picture emerges if the financial performance of enterprises is analyzed.

The public sector during the period in question accounted for 97 percent of aggregate gross earnings, and the private sector for only 3 percent. In industry, private companies accounted for 6.9 percent of aggregate gross earnings, and public companies for 93.1 percent. But the most surprising results were recorded for trade, where these proportions were analogous: 95.5 percent for the public sector and 4.5 percent for the private sector.

It is worth noting that, of the three groups in the private sector—private ownership, foreign ownership, and mixed ownership—only the first, which comprises Polish private companies, operated in the red, beginning with the overall financial performance for all of the represented branches of the economy (minus Z264 billion), through the transportation branch (minus Z20 billion), and ending with...trade, where, after the first six months of the year, the closing balance of the private sector was - Z493 billion. The public sector had it better (at least according to official figures): Its balance was positive and reached Z4,162 billion.

A natural consequence of such financial results is tax obligations. For the first half of the year, they totaled Z33,376 billion for all the 21,100 companies surveyed. The obligations of the public sector, represented by 8,100 enterprises, to the state budget account for 92.1 percent of that sum—that is, Z31,086,000,013,000. As for the 13,000 private companies, they have to pay, in accordance with their recorded financial performance, 6.9 percent of that amount—that is, Z2,290 billion.

To complete the picture of the activity of both sectors, it should be stated that cost indicators in the private sector are generally higher than in the public sector (98.8 percent and 95.2 percent, respectively), and the profitability indicator in all branches for the private sector reached 0.4 percent, whereas for the public sector it reached 4.4 percent.

In the light of GUS data, based on information reported by private businessmen to Treasury offices, the notion of the superiority of the private sector to the state sector appears dubious. However, one could speculate as to how much these figures are consonant with reality. Because how can we reconcile the reports on the growing share of the private sector in generating gross national product (as mentioned, among other things, from the tribune of the currently ongoing 19th Small Business Congress in Warsaw) with the above picture of its nugatory contribution to state budget receipts? Either the data on the strength of the public sector are exaggerated, or the private sector is concealing its income from the internal revenue service.

Prospects for Food, Machinery Exports Viewed

93EP0034A Warsaw ZYCIE GOSPODARCZE
in Polish 18 Oct 92 p 5

[Article by Anna Turska: "Liberal Mess"]

[Text] A king's ransom to him who knows how much of agricultural-food products we really export and import. All data on this subject are probably only estimates. But intuition and experience will not completely replace reliable statistics, needed not only to satisfy the curiosity of journalists and readers, but, most of all, to make management decisions. Otherwise, it will be a wandering in the fog.

The only reliable data are those pertaining to the import and export of cattle and meat because these must pass veterinary inspection and, because of this, can be counted. We also take advantage of information from countries that import Polish goods. This may seem funny, but the best information about our exports comes from the EC and the United States.

Movement at the Border

Complete information on goods that cross the border should be supplied by the customs service. The deficiency of this service was revealed fully when freedom of economic activity was introduced at the beginning of 1990 and gave rise, for example, to the alcohol, cigarette, and so forth affair. There is some hope that, after a certain time, our borders will also provide adequate and reliable information on foreign trade.

The computerization of border crossings has been going on for several months. It is not working efficiently yet, but we could not have expected that the operation would proceed painlessly. The United States has been struggling for a year and a half to computerize its borders, and, if it takes us only that long, we should be satisfied.

The Central Office of Statistics noted that, in the past year, trade in agricultural products closed with an increase of approximately \$0.5 billion, while trade in food industry products showed a minus of approximately \$30 million. If we can trust these data, it means that we exported mainly nonprocessed goods and imported processed goods. It seems that this could destroy our agricultural-food industry. Obviously, many plants are in very poor condition or are simply disintegrating, but the competition of attractive foreign imports forced many plants to modernize production, to change their lines to products similar to those that came in an immense wave through the open borders. Many new plants in this branch were also started; it is estimated that private producers are responsible for approximately 30 percent of food products. This is very evident in the stores as well as at the Polagra fairs.

There is an increasing variety of products, and the packaging is ever more modern and nicer; the customer, like a child, reaches for the shiny, colored things on the shelf.

Importers do not exert much effort toward originality: a few Italian macaronis, Gouda, Edam, Ementhaler, Hochland cheeses, Philadelphia cream cheese, Finnish butter, three kinds of German margarine, several kinds of oil, canned peaches and pineapple, several kinds of coffee and tea, cough drops and salves, Perrier mineral water, beer from all continents, Danish ham, canned Hungarian corn, these are the basic import products.

Foreign carbonated drinks in large plastic bottles are decreasing in number; Polish production is replacing them. Fruit juices in cartons are most frequently also produced in Poland. And this is proper because no producer in the world makes as excellent a ginger juice as "Aronia" SA Leczyca, and the best orange juice is packed into cartons in the dairy plants at Wola in Warsaw. Perhaps I exaggerate a little because I did not try all of the juices in the world, but, compared with those imported into Poland thus far, ours are decidedly better.

At Polagra, we could see and try many kinds of beer, most of them Polish. The gamut is already very broad, the selection is great, and the bottle labels and graphics on cans are appealing. It is already world class. Three varieties of beer were among products awarded gold medals at Polagra: Eksport I from Zywiec, Brok from Koszalin, and Regent from Poznan. Three juices also won medals: ginger from Leczyca, black currant (also in cans) from Lowicz, and Fortuna tomato juice, also from Lowicz. Reigning among medalists were drinks, beginning with the Bebi juices from Bialystok through the Pingwin antistress water (Legpol Brzesko), fruit juices, and beers, and even the vodkas Pulaski (from Polmos in Wroclaw) and Batory (Torun). Of 20 medals, 12 were awarded to drinks.

The Polagra fair had a great exhibit of agricultural machinery, mainly imported. Our agricultural machinery industry is collapsing, so foreign producers see an interesting market here for their surplus. Potentially, it is very receptive, but, at the moment, farmers are mainly looking and inquiring; they do not have the money to buy. I must admit surprise that, since last year, several Fiatagri combines, which cost more than 2 billion zlotys, are operating in Poland. As the users maintain, their reliability and productivity fully justify the price.

Polish machines were at a great disadvantage in comparison with the best-known of European and U.S. manufacturers, but they also drew much interest among the farmers. In this area, we also have great opportunities for export: to our eastern neighbors, who are trying to privatize their agriculture and lack the machinery and equipment for smaller farms.

Many machines and equipment for agricultural-food processing were exhibited at Polagra. Most of them were of foreign manufacture, but there were some Polish offerings, most frequently from Spomasz. There are many who are willing to organize various kinds of processing at the village level, and they could find suppliers of machinery and equipment at Polagra. If profitable credit could have been arranged immediately, preferably foreign, certainly no exhibitor would have left with what he had brought.

Of course, there was information about credit, but it was extremely general. That is too bad because credit is a subject of great interest. I think that a company engaged in finding appropriate credit and taking care of the necessary formalities would make a lot of money.

Polagra showed our production and export potential as well as extensive offerings of foreign producers. Our agricultural-food export is developing despite many obstacles and low profitability. However, importers were the main beneficiaries of the liberalization of foreign trade.

The Dike

For a long time, the agricultural producers and processors have been protesting the massive influx of inexpensive food articles from abroad—inexpensive and sometimes less expensive than Polish articles, considering the fact that these products are subsidized by Western countries or are inexpensive products of eastern neighbors. Our internal market is protected basically only by tariffs. Despite the fact that consumers are satisfied at the moment, it seems that we have opened our borders somewhat too wide. In the current economic situation, we are not in a position to present commodities of competing quality. In many cases, this was possible (juices, carbonated drinks, beer, cheeses, milk in cartons, and so forth), but inexpensive imports (for example, eggs from the East, fruit and vegetables from the West) inhibited development in many areas of agricultural production. And, what is worse, the largest and most specialized producers that have greenhouses and poultry houses are retiring from production. The phenomenon of so-called market disruption is becoming more and more common, while the average market prices are lower than the costs of production of the most efficient producers. And we should be depending on these good, efficient producers.

All developed countries apply various nontariff methods to protect their producers. One method is compensatory charges. They will probably be introduced here as well. I say probably because opinion is very divided, and it is not at all certain if parliament will pass an adequate law. Work on plans for the law on compensatory charges is being concluded now. If the Sejm adopts the law, executive orders should be issued by the end of the year along with a detailed table of rates of charges.

Very briefly stated, compensatory charges (paid by the importer at the border) will be the difference between maximum price (established on the basis of average market price lower than the maximum by approximately 5 percent) and the purchase price abroad. This would eliminate the unfavorable effect of imports on prices paid producers. Undoubtedly, the consumers will protest that inexpensive imports are being eliminated, but they must remember that destroying national production is a threat to independence with respect to food. When we stop producing food in adequate quantities, those who sell it to us at a low price now will set completely different prices. That is not just our Polish phobia: All countries we would like to imitate protect indigenous food production.

Compensatory charges should protect those aspects of production we want to develop; therefore, they will not be applied to all commodities and may be changed depending on the market situation. Intervention through changing tariffs would require a significantly longer time, but a change in compensatory charges can be introduced in a matter of days, and there certainly are situations that require rapid reaction.

This can best be seen with grain and fodder, for example. We have known since at least June that harvests will be significantly lower, but an appropriate order pertaining to changing tariffs was not issued until the beginning of October. Tariffs on imports of soy, corn, linseed cakes, sorghum, cassava, fodder flours, fodder mineral additives, and fodder grain were suspended until the end of March 1993. The following delivery quotas were set: 600,000 tons of wheat tariff free and 900,000 tons of barley (by the end of this year), as well as 300,000 tons of durum wheat (for bread) by the end of June 1993. At the same time, a temporary ban was imposed on exports of peas, beans, bran, ground grain, linseed cakes, and other fodder components. Exports of grains, rape, seed peas, beans and small beans, meat meal, beet root malt, and soy cakes were also limited (with export permits only). It is possible that this will save the level of meat production. Certainly we will not be able to prevent an increase in prices. Basically, the ban on exports may soon be unnecessary: The prices of grain are already reaching the world-price level, and it is possible that they will outstrip it.

Gold for Ham

Liberalization in foreign trade will have many negative effects—for example, Polish-Polish competition, which would lead to a decrease in the prices of many products. Foreign contractors are very well acquainted with our circumstances and potential and are taking advantage of the existing chaos. For this reason, exporters are attempting to set up organizations that would establish and execute certain principles of conduct, but, at the moment, none of the clubs or forums of exporters is able to restrain the hundreds of small companies that want to export at any cost.

The exporters' club could also relieve the minister of agriculture of the schedule of quotas that arouse so much controversy (sheep). It seems to me, however, that the minister does not want to get rid of that burden. Whether the newest quota—for the nontariff import of grain—will arouse emotions like the sheep schedule did is also of interest.

The import boom is reaching an end, and the introduction of compensatory charges augurs the end of swift profits. High turnover will have to compensate. Often, the present inexpensive import did not mean a lower price for the consumer, only higher profit for the importer.

Export is not going very well, either. The value of the dollar changes little and simply does not keep up with the increase in prices in Poland. Therefore, it is difficult to find a commodity that would be profitable to export. A crowning example of this may be Polish Krakus ham, which, at this year's Polagra Animex, was awarded the title of Mister Export of food products (the first Mister Export at Polagra). Although the prices on the U.S. market are very favorable, considering the high price on the internal market, it does not pay producers to sell the

hams for export. Animex invested a great deal in promoting the hams in the United States. So as not to lose a market to which it would be difficult to return, Polish ham is being produced in the United States (under the supervision of Polish specialists), with license payments from Americans for the use of the trademark. Evidently, the Polish-U.S. ham is very tasty and does not threaten the reputation Polish ham has earned over 60 years. (It has been exported since 1933.)

Thus far, meat producers can sell everything within the country, can dictate prices and not bother with the profitability of export. Producers of fruits and vegetables are in a poorer situation. The prices abroad for many garden products dropped significantly. For example, black currants brought 2,000 German marks [DM] per ton a year ago, and this year the price dropped to DM700-800. Moreover, there were no buyers because the European currant harvest was bountiful.

Apple concentrate is selling poorly; in recent years, producers of this product multiplied like mushrooms after rain. The situation in the export of strawberries and raspberries would be better were it not for the drought, which caused a drastic reduction in fruiting and a decrease in yield. And we are cultivating less and less of these fruits. Recent years have not been kind to producers of strawberries and raspberries: Profitability decreased, and the farmers therefore eliminated plantings.

Green export is in very weak condition. This is greatly affected by the breakdown in trade with the West, which was felt increasingly this year. This is actually something for the future; two or three years must pass before we can speak of normal trade. As usual, this obviously concerns money, of which our Eastern contractors have too little to pay for everything they would like to buy.

It is not easy to be an exporter, although we have an increasing quantity of high-quality commodities, as was clearly evident at the Polagra fair. Much activity is still necessary, however, for our somewhat wild foreign trade to be put in order and export production to be stimulated. We hope these activities will be carried out intelligently.

New Rescue Plan Proposed for Ursus

93EP0036E Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 6 Oct 92 p 1

[Article by Mariusz Pawlowski: "New Proposals for Ursus"]

[Text] Minister J.K. Bielecki today is to present at the Ursus Tractor Plant a project to establish a financial corporation and to familiarize himself with the plant's current economic situation. That was the official news release from the Government Press Office. It is believed that Bielecki's mission is part of the complex whole of measures defined as a plan to restructure the plant. Consider that, early in September, Prime Minister H.

Suchocka, Minister of Industry W. Niewiarowski, and the chairman of NSZZ Solidarity established a task force that is working out a comprehensive plan to restructure Ursus.

The official receiver for Ursus, Włodzimierz Keslicki, stated that the plant at present is in the best situation of the past few months. According to the Ministry of Industry and Trade, the debt of Ursus amounted to 2.273 trillion zlotys [Z] at the end of the first half of the year. It consisted of Z1.440 trillion in bank credits, Z746.3 billion in obligations to suppliers, and Z413.6 billion in payment arrears. At the same time, it was possible, with the plant's own resources, to reduce production costs (by, among other things, slashing employment from 10,000 to approximately 7,500) and to slowly begin the repayment of debts (as of mid-May of this year, composition proceedings involving more than 1,000 creditors have been under way).

By August of this year, the plant produced 3,955 tractors, of which it sold 3,675 (one-half for export). This figure is far below Ursus's production capacity; in 1988, the plant produced 58,000 tractors, and its expansion was to raise that total to 100,000. At present, the sale of 10,000 tractors annually is considered a good outcome.

A chance to rescue Ursus financially is also perceived in suspending its dividend—a corresponding request was

addressed to the minister of finance—and exempting the plant from the tax on wage increases (it has exceeded the level above which this tax applies, but solely owing to layoffs and not owing to wage increases), as well as renewing its lease on land (an idea supported by the minister of industry). A separate and difficult problem is the plant's iron-casting department, located in Lublin, which is merely a burden on the Warsaw departments of Ursus inasmuch as it loses Z250 billion monthly. The first attempts to transfer it to the ownership of banks as a form of debt repayment have already been made, but, at the time, its assets were valued at so much scrap metal, which did not make its transfer worthwhile. The strike demands of the work force of Ursus might be met in a way by forming the joint-stock companies being planned by the restructuring task force—most probably eight—which are to be established early next year (with a 20-percent share to be owned by the employees; the remaining 80 percent would go to creditors).

The first official government signal on the need to rescue Ursus was sounded on 1 October 1991 by Henryka Bochniarz, the then minister of industry in the government of Jan Krzysztof Bielecki. As for the related proposals to be made a year later by Jan Krzysztof Bielecki himself, we shall report on them in the next issue of *RZECZPOSPOLITA*.

Dangers of Budapest-Moscow 'Axis' Stressed*93P20052A Bucharest DIMINEATA in Romanian
14-15 Nov 92 p 6*

[Article by Mihai Fabian: "Our Commentary—A Budapest-Moscow Axis?"]

[Text] This syntagma [the Budapest-Moscow axis] might replace the well-known expression: "powder keg of the Balkans." Because the newly created axis, established during Mr. Yeltsin's one-day trip to Budapest, after an historic visit to London, represents an infinitely greater danger than a powder keg. Unfortunately, this danger affects us directly.

The document signed in Budapest, entitled "Declaration on Principles for Collaboration Between the Russian Federation and the Republic of Hungary on Guaranteeing the Rights of National, Ethnic, Religious, and Linguistic Minorities," contains a paragraph—the fifth paragraph—that advocates, in essence, the right of minorities to "territorial self-management," which, to put it bluntly, is an invitation to dismember Romania.

The Russian-Hungarian alliance on the minority issue is not unexpected. It is logical since the leaders in Budapest and Moscow are no strangers to "territorial issues." Budapest has stated its case by taking stands, by means of documents, and by making statements, without having the power to put its annexationist ideas "into operation." Moscow has talked less and done more....

Romania's situation is serious, especially because of its geographic position. One does not have to be an expert to see that, on the western, northern, and eastern borders of our country, the threatening shadow of a Russian-Hungarian bloc seeking to dismember the Romanian unitary national state is taking shape. The reasons presented by Budapest are well-known. The new element is the ally it has chosen and the fact that this ally is aligning itself with the appetites of Magyar irredentism. As we know, more than once, Hungary achieved its revisionist aims not on the strength of its own forces but by appealing for assistance from the great powers. Yesterday, it was the German Reich, today it is Boris Yeltsin's "democratic" Russia, even if the latter can hardly be called a great power anymore. However, it is still dangerous on the regional level. Very dangerous. But the weapons it uses are perfidious. Remember Transnistria [the Dniester region]: After promising to defend the integrity and sovereignty of Moldova, Yeltsin expresses to journalists in Ostankin his support for Smirnov's Russophonic separatists.... It is not the commander of the 14th Army who is doing this but the head of state himself, the same Boris Yeltsin who signed the Budapest declaration.

The situation of Romania is aggravated by the fact that, for the second time in 50 years, it is almost completely isolated and is easy prey for revanchism. I say almost isolated because we have friends from whom we are temporarily separated by interests that are neither theirs

nor ours. I cannot imagine Washington, Paris, or London leaping to provide aid if Hungary should obtain a new "diktat." The interests of the West do not coincide with those of Romania in this part of the world. The embargo applied against Yugoslavia—the only country with which we have never been in conflict—is a strategic mistake. If our territorial integrity is threatened, will we be able to seek the assistance of the Serbs? We should call on our neighbors, because their interests are also our interests. And our neighbors are Yugoslavia and Slovakia. Recently, Tanjug speculated that the only serious obstacle to Hungarian revisionism would be the restoration of the Petite Entente [1920-21 Romanian alliance with Czechoslovakia, Poland, and Yugoslavia against Hungary, with the support of France]. A similar opinion was expressed by Slovak prime minister Vladimir Meciar who added that, at present, Hungary represents the destabilizing factor in Europe. The restoration of the Petite Entente might be absolutely necessary for us.

How? First of all, the embargo against Yugoslavia would have to be condemned, despite the consequences. The consequences cannot be greater than the loss of part of the body of the country. Then a summit meeting between Romania, Yugoslavia, and Slovakia should be organized, since all three are threatened by the same danger of Hungarian revanchism. It would not be unjustified to take military measures that would calm down minds enveloped by the miasma of revanchism.

We believe that Romania is facing a great danger. The Cluj declaration of the UDMR [Democratic Union of Hungarians in Romania—RMDSz in Hungarian] seems to be the signal. Romanian diplomacy will have to find an antidote for the lethal danger of the establishment of a Budapest-Moscow axis. The situation existing in 1940 must not be repeated, by taking measures that could mean the discarding of all the talk about entry into Europe and into the EEC and NATO.

The issue of the defense of the sacred hearth of the homeland—with the aid of diplomacy—presents itself. Tomorrow we might be obliged to do so with arms in hand.

Corruption During Stolojan Administration Noted*93BA0205C Bucharest ADEVARUL in Romanian
3 Nov 92 p 3*

[Interview with Ion Horia Neamtu, chief of the Government Oversight Department, by Al. Gavrilescu; place and date not given: "Some Have Called Us Red Dogs"]

[Text] [Gavrilescu] Mr. Neamtu, despite all that was accomplished during the Stolojan government, public assets did not escape the corruption "epidemic." In this context, how do you assess the activities of the department you coordinate?

[Neamtu] I do not have a handy qualifier that would satisfy the press. But I do know that the protection of

state property was an objective to which Stolojan required that we devote ourselves exclusively.

[Gavrilescu] And did you succeed?

[Neamtu] The prime minister never criticized us.

[Gavrilescu] And yet, the most widespread scandals also occurred during his government. One of them was the collection of the Egyptian debt. Were the millions eventually recovered?

[Neamtu] If you remember, the former Carpati ONT [National Tourist Office] did not pay the lei counter-value of \$20.9 million, an amount used in January 1991, and illegally entered as its property in February 1992 at the rate of 17.5 lei per dollar, as compared to 180 lei, which was in fact the legal exchange rate at the time the operation was conducted. In turn, the Romanian Foreign Trade Bank awarded unjustified bonuses to the importers of Egyptian goods, which exceeded 530 million lei. The government ultimately ordered measures to legalize it, with the debt holders or importing companies turning over to the state budget a sum of 2.8 billion lei as well as the 530 million lei.

[Gavrilescu] What was the reaction of the guilty parties?

[Neamtu] Normal. Some called us "red dogs," "neocommunists," and "rats," even suggesting that we are, no more no less, opposed to the Romanian reform.

[Gavrilescu] If we understand correctly, these gentlemen were suggesting the "democratization of corruption"?

[Neamtu] Probably. But they could not get away with it with Stolojan. But you have overlooked the fact that our department also uncovered other cases: the violation of the Law on Budget and Finance at the Ministry of Education and Science, where in 1991, expenses were exceeded by 4.6 billion lei by using funds in other categories of costs; or that a debt of \$0.5 million was created by the end of 1991, representing the educational taxes of foreign students, with another \$2.5 million during the first quarter of 1992. We could also speak at length about the adulteration of alcoholic beverages with the addition of synthesized alcohol, particularly for whisky imported from Arab countries.

[Gavrilescu] We will not presume to challenge these results. But the sugar and wheat business, PRODEX-PORT's exportation of live animals, the breach of law regarding the collection of currencies at the NEPTUN tourism operations, did they not represent the tip of the iceberg that endangers social life?

[Neamtu] The Government Oversight Department could not take the place of the other specialized organizations empowered to maintain the state of law, under the control of civilian authorities and in the service of the people.

[Gavrilescu] Do you somehow believe that the new Accounting Court institution that will operate on the

basis of the law coauthored by you, will eliminate subjective incidents in the "treatment" of corruption?

[Neamtu] The Accounting Court stands beyond any political influences. Its only master will be the law.

[Gavrilescu] You are an optimist, Mr. Neamtu. What will happen for instance, if a government will try to block the action of the Accounting Court?

[Neamtu] The respective government will take a considerable risk: prompt censure from the Parliament and public opinion.

[Gavrilescu] We shall see. Tell us if you will, under what circumstances did Romania become a member of INTO-SAI's [Higher Institutions for Public Finance Oversight] Directing Council?

[Neamtu] Romania's participation—for the first time—in the 14th INTOSAI Congress (which brings together more than 150 higher oversight organizations from countries in all of the world's continents) coincided with its election to the Directing Committee. Romania being the only country in Central and East Europe to be elected by the Congress.

[Gavrilescu] Can this election be considered as a "prize" for good behavior?

[Neamtu] The election was the fruit of an activity conducted over several years. It should not come as a surprise that some countries reacted negatively and rather vehemently to the proposal that Romania become part of that committee, with a single position being reserved for the half of the European continent that was formerly socialist.

[Gavrilescu] Therefore, we have reason to believe that the corruption phenomenon will decrease in the future?

[Neamtu] This is in our interest, everyone's interest, and the Accounting Court will prove it. Otherwise, corruption will endanger democracy and the stability of the state of law.

[Gavrilescu] Thank you.

French-Romanian Economic Cooperation Discussed

93BA0210A Bucharest BARICADA in Romanian
10 Nov 92 pp 12-14

[Interview with Jean Mateolli, president of France's Economic and Social Council, by Eduard-Victor Gugui; place and date not given: "Let Us Openly Discuss French-Romanian Collaboration"]

[Text] [Gugui] Mr. President, how do you view the present stage of economic relations between Romania and France?

[Mateolli] Given the very special relations that we have with Romania, the fact that Romania is a country in

which the French language is commonly used, as well as the fact that our culture, just like yours, is based on the Roman culture—even though the Roman occupation of Romania's territory was briefer than that of France's territory—the natural consequence should be the development of economic relations between France and Romania. I do not mean to say that these economic relations should have a preferential status in institutional or legal terms, or in terms of establishing privileged financial relations, but simply that the conditions under which our cooperation is organized are favorable to the extent to which Romania should effectively benefit from a more intense participation from French business.

Criteria of French Capital Intervention

[Gugui] Mr. President, do you believe that auspicious conditions do exist for intensifying the relations between our countries?

[Mateolli] You are raising a question that reaches beyond Romania's borders. I believe that there currently exist some difficulties in intensifying the relations between France and all the countries in Central or Eastern Europe. We believe that this problem should be treated objectively and openly. We know very well that Germany's relations with Central or Eastern Europe are much more developed than France's. The same problem arises for the other western countries with respect to these nations. A great deal has been said about the help that East European countries should receive after their liberation from communism and planned economies, so that they will become integrated into the market economy mechanism. I personally believe that this question has been asked incorrectly and that the large international organizations that have pushed these countries toward profound transformations of their economic systems, orienting them toward the market economy, were wrong in wanting to immediately activate this process, and in particular in accelerating it. Let me explain: if it is a matter of offering a store—no matter what its specialty may be—to any particular entrepreneur, that is an easy, possible, and even rapid matter. On the other hand, the problem is very different when it concerns large means of production, since such enterprises do not exist in the respective countries in the western sense of the word. This is due to the fact that in the past, the management of industrial production facilities was assured by ministries or state organizations, and that as a result, none of the functions that in a western country make it possible to verify the operation of a production enterprise, exist in the formerly Marxist countries. For instance, none of the documents that allow us to determine whether management is good or bad, or whether prices in our countries are set as a function of the market, exist in Eastern or Central Europe countries. Their prices were established as a function of a given policy, so that enterprise accounting as we know it, cost prices, operating costs, and balance sheets, do not currently exist. I believe that a preparatory phase and a transition stage are indispensable. I am increasingly convinced, and have been for

some time, that it is necessary—and still possible—to find means to identify within this political-administrative complex a production unit that will eventually be transformed into an enterprise.

Here is an example that does not involve Romania. I recently visited St. Petersburg where I met the leaders of the city's Naval Academy, those who lead the great Russian fleet in the Baltic Sea, and those who head the military-industrial complex of St. Petersburg—which includes 600,000 people. They expressed their wish to diversify their activities, that is, to also manufacture other products in addition to those intended for the military, for war. I asked them if we could find within this industrial complex a production unit that could be used to manufacture washing machines, for instance; I received no answer.

I can tell you that this rationale was not understood, and so we must conclude that we are working with different logics, with different concepts, and that even the language is difficult to translate because the words don't mean the same things.

My conclusion is that Romania should make this effort from within its planned economy, its state economy. I believe that an attempt must be made to isolate the industrial units that could ultimately manufacture all the products of civilian society. This requires that the units identified as true enterprises have social assets—or what we call their own funds—in other words that in addition to their capital, they have loans advanced by credit organizations, long- or intermediate-term credits that would allow them to create new investments, their organization, and the start of production. This stage is indispensable in my opinion. It does not matter whether the capital is state or private capital, though I know that private capital does not readily exist in Eastern Europe.

And why not state capital? In a country such as France, which is part of the market economy system, there are a number of enterprises whose capital is entirely held by the state. These are not enterprises outside the sphere of competition; for instance, France has a large state-capital chemical enterprise that competes with enterprises with private capital. It is interesting to note that these state enterprises, most of them public enterprises, operate as private enterprises insofar as their accounting follows the same rules—we can look at the balance sheets of a private or public enterprise and they will look alike—and their operation records are kept in similar ways. Similarly, both are asked to produce profits, without which they could run into trouble. If I dwell too long on these problems, it is because I feel that this is where you can find the key to a useful and intelligent intervention of foreign capital in your enterprises. If an enterprise, even a public one, which has been chosen for the development of a given production, is identified, then this could effectively interest a French enterprise that has the same kind of production, in the sense of taking over part of that enterprise's capital and bringing to it its management expertise. I want to stress the fact that in your

country research is being conducted by scientists who are comparable to our western scientists.

And if I insist on these matters, it is because French interest in Romanian enterprises and Romanian activities will be enhanced if French enterprises can find something resembling what we are accustomed to in France. In the case of a collaboration with Romanian administrations, such as services, matters are simpler: One example is the Bucharest Sanitation Enterprise, where interventions can be fractionated. We cannot imagine that the municipality is working on this problem; on the other hand, the French enterprise is bringing techniques with which it is very familiar and that it can use in very close collaboration with the city of Bucharest, of course, but under its technical guidance. Similarly, it can create an accounting system that can be verified at any time by the city of Bucharest, for final payment for these services. But matters become more complicated when production is concerned.

Let us look at the agricultural problem for a moment. French agriculture is carried out by private farmers; there are no state farmers. But these private farmers have understood very well, for decades already, that they need to come together and jointly implement a certain range of facilities. It all takes place within cooperatives that have nothing to do with the state, which they have created, and which they manage, so that they can withstand competition and achieve a sufficiently high yield to compete, for instance, with U.S. products.

Getting back to Romania, I know that it is difficult to move from a collective agriculture to a private one. The first attempts should select the simplest operations, such as wine production. I think that viticultural operations are easier to privatize than the large grain operations in Romania. Other examples of specialties in which privatization can be achieved rapidly are the production of vegetables or flowers, since they can be conducted in greenhouses or in the open, on areas of two or three hectares.

To summarize, you should for a time and wherever possible, seek the coexistence of private activities alongside public or semipublic ones, when it is a matter of either reaching a certain level or satisfying the country's vital needs (electricity, transportation).

France Will Provide Heat for the Little Paris

[Gugui] Mr. President, what exactly would encourage French business to invest in Romania?

[Mateolli] That is exactly what I have been talking about. French business is naturally drawn to collaborations with Romania; with Romania in particular, because when you come here you find many people who speak French, and this greatly simplifies conversation. Considering this factor, and implementing the solutions that I just mentioned, it should be possible to significantly and rapidly intensify collaboration and cooperation between French and Romanian enterprises. I stress the fact that

French agricultural enterprises are indeed entirely ready to establish contacts with Romanian agricultural organizations, even if they are state or collective organizations.

Let me return to the plan I presented earlier: private initiative at first, and then a reorientation of this private initiative for the general good of individual private properties, because, to repeat, we must realize that these means must be made generally available if we want to become efficient. In the final analysis, these remain in the hands and under the responsibility of the farmers themselves. I believe that this is an important thing.

[Gugui] In your opinion, what fields have priority for cooperation?

[Mateolli] Many of them. I have already mentioned service activities. I know that there already exist contacts to solve certain problems; I know for instance—and I hope I am not being indiscreet in talking about it—that a collaborative effort is already under way between the city of Bucharest and large French private companies in regard to the heating system in your capital and industrial and urban waste treatment. There are of course other forms of possible collaboration, such as hospital management, and perhaps even in commercial areas, but in any case, all of it is linked to agriculture, since in this field, France has an experience of several decades. I assure that it is this experience that has been the basis of the tremendous development in France's agriculture and agricultural food industry.

Society's Wounds and Social Protection

[Gugui] What part of the French experience in the social area can be applied in Romania?

[Mateolli] In the social area, the French experience seems to me worthy of interest. I do not mean to say that France is the most advanced country in this domain, that would not be true. But there does exist a French experience that can be used as an encouragement by those who are interested, since it has a number of positive features. And even if it has some negative aspects, it is useful to know them as well so as not to repeat the same mistakes.

I am thinking for instance about health insurance. In my youth, I have known various situations facing families with modest means—serious illnesses, or the need to operate an adult or a child—that raised financial problems and a hesitation to operate. There was a high mortality rate in these environments; a serious illness in a family of modest means was a calamity.

Social security was organized in its present form after the war, by General de Gaulle and the National Resistance Council. We may criticize social security, we may say that it costs too much, that it is difficult to support its deficit; but all of this does not dispute the actual principles of social security, which through the voice of national solidarity allows everyone, regardless of financial means, to receive proper care. And if along with the Netherlands, France is the European country with the

highest life expectancy, its index increasing at an extraordinarily rapid rate every year—the average life expectancy for a woman in France is approximately 80 years, and approximately 72-73 years for a man—this is due in large part to the social assistance system.

Exchanges between France and Romania should also take place in this area, at the level of social protection institutions. We may go even further, aiming at perfecting a collaboration between the major leaders of medical research in Romania and France, profitable for one as well as for the other. The culture and language similarity should also contribute to the development of a special type of relations in this field as well. What I am saying about the medical field can also be applied in other fields—the collaboration between researchers in our countries can be significantly increased. I believe a small number of initial measures in this regard would be sufficient for matters to begin developing on their own.

As you know, we have a large number of unemployed people and that represents one of the wounds of French society, resulting from a general economic situation. Once production is developed in a sector, personnel reductions must be carried out for a given production level in order to face competition, which these days is international. If we accept living totally and for the long term in an internationally wide-open economy, which will lead us in the proper direction and will be to everyone's benefit, then we must accept the fact that from time to time and in certain sectors, unemployment is a consequence of this process.

Normally and to the same extent, but without having an immediate effect, the fact that competitiveness is improved results in lower prices, which in turn creates for the recipient a financial surplus that can be assigned to other needs. In looking at the evolution of consumption in France during the past 40 years, we see that it has changed in depth. Forty years ago, immediately after the war, food necessities took a non-negligible portion of a French family's income, followed by clothing. After these two needs were met, there came the wish for a car, television, household appliances, and not last, the need for a second house—the number of French people with a second house is considerable. Similarly, travel has undergone an explosion; all of these represent an evolution and transformation in the very nature of necessities, determined by the fact that part of the money spent in the past to meet vital basic needs is henceforth devoted to necessities that are no longer vital.

All of these intermediate periods—and they can be long—have a common denominator in the existence of large numbers of jobless people. In France, they are entitled to unemployment payments, whose cost is very high for the population as a whole, despite the fact that the payments are relatively modest for those who have been jobless longer than six months—even though modest, long-term payments weigh heavily on our society. You will go through difficult times just like any other country in transition from a centralized to a

free-market economy, since your economy is not sufficiently wealthy to support the costs of social protection. You can get some indications from the French unemployment payment system even though it is not entirely satisfactory, since it simply keeps people from starving.

[Gugui] Mr. President, do you believe that the results of Romania's presidential and parliamentary elections will influence the evolution of Romanian-French relations?

[Mateolli] You are asking a political question that is of interest to Romania but not France, and I could easily answer that there is no opinion to be expressed since it is not our problem. But considering the feelings I have toward Romania, I will offer a personal view. I do not know how the Romanians themselves feel after these elections, but the feeling we have in France is that they were organized in a manner comparable to those in democratic countries, that this represents a great accomplishment and a new step toward democracy. The election conducted by the Romanian people is a good election because it is of the people. I had an opportunity to meet with President Iliescu, whom you have elected, and I believe that this is a good thing for Romania. That was Romania's problem and that is how Romania solved it.

Talks With EFTA, European Communities Viewed

93BA0205A Bucharest ADEVARUL in Romanian

4 Nov 92 pp 1, 3

[Interview with Napoleon Pop, secretary of state in the Ministry of Trade and Tourism, by Constantin Priescu; place and date not given: "Good Signs From Brussels"]

[Text] Romania's negotiations with the EEC and the European Free Trade Association [EFTA] are proceeding apace. The second round with EFTA took place last week in Geneva; and the sixth round of negotiations with the EEC were carried out yesterday and today in Brussels.

As in the case of the EFTA negotiations, the talks in the Belgian capital sought to resolve disagreements regarding the trade of unprocessed agricultural products and the associated origin regulations. The acceptance of the final objective that Romania be included in the agreement as an EEC member with full rights, is considered as a major success in the negotiations. Before leaving for Brussels, Napoleon Pop appeared optimistic about this final step in the settlement.

"Secrets" of Negotiations With EFTA and EEC

[Priescu] Romania's negotiations with EFTA and EEC are nearing their end. Last week you ended the second round with EFTA. What has been the outcome?

[Pop] We have actually made great progress in the negotiations with EFTA, particularly with respect to the general nature of the agreement; in fact, the text of the

agreement is settled. A few items regarding protocols and appendices remains to be finalized in the next rounds. A very important fact is that during the past round we negotiated bilateral agreements about agricultural products; a very significant step forward has been made in this respect. The mutual offers are now known and evaluations and continued negotiations will proceed from that level.

Lists for the multilateral trade of industrial products have also been exchanged. In a first phase, ideas were exchanged about mutual concessions. The presented lists will be evaluated, including the order of priorities, so that by the next round—the week of 23 November—we will have indications for mutual improvements. In brief, the following are essentially still open for a possible one or two rounds: the list of industrial product concessions, the list of multilateral concessions for certain processed agricultural products, the protocol for customs and origin regulations, and obviously, the bilateral agreements for agricultural products trade. Both parties are interested in closing this agreement as soon as possible, in conjunction with the EEC agreement.

[Priescu] During the first part of this week you will participate in a new round of negotiations with the EEC. What is its program?

[Pop] In the program of the Brussels meeting—the sixth round—we have to solve two major categories of problems: the package on basic agricultural products trade and the package regarding origin regulations. With respect to the basic agricultural products, we have expressed our dissatisfaction with the Community's offer ever since the third round, an offer that was actually a compromise between the Commission's offer and the offer presented by the Council of Ministers of the EEC. But with the necessary tact, we succeeded in engaging our partner, proving to him that the dissatisfaction was not formal, for the sake of the agreement, but rather was determined by real factors and by long-term mutual interests.

[Priescu] Are the chances of the second package of problems to be negotiated greater, or lesser than those of the first?

[Pop] The second packet that we need to discuss concerns origin regulations and has two open problems: the diagonal cumulation and the drawback mechanism. Diagonal cumulation means the manner in which it is determined whether a product is from Romania when it uses components from third countries, and in turn, whether it should or should not benefit from all EEC market facilities. Correlated with origin regulations, drawback is the mechanism through which we exempt from duties or return the customs duties of imported products that are found in exported goods. This is a factor that in principle erodes the preferential nature of the agreement. Why? Because some imported goods would become less costly; of course, the partner takes steps specifically in order to assure that his advantage is

not eroded. We have maintained an active position: we asked that Romania be considered as a country in transition, which is creating systems to encourage foreign trade, and pointed out that it would be a pity to deprive it of this type of exportation and importation stimulation exactly during this transition period. It appears that we have achieved the necessary understanding and that this drawback system will be reanalyzed.

[Priescu] Can one expect the round in the first week of November to be the last before the "interim agreement" for the transition period is signed?

[Pop] An interim agreement draft was discussed during practically all the rounds, because there is no other means to activate the actual agreement than by most rapidly implementing the trade package, and consequently the free movement of goods and services. In the meantime, the ratification process of the whole agreement will also take place. The Community is ready to implement this interim agreement after 1 March 1993. But based on the experience acquired with the other three associated East European countries, there is a whole series of technical factors that justify a more realistic estimate of May-June 1993.

We have every hope that the round at the beginning of November will be the last for the association agreement. We base this statement on the fact that there are good signs for Romania's request to review the agricultural package offer.

Prospects for Trade With Japan, Korea

93BA0205B Bucharest DIMINEATA in Romanian
7-8 Nov 92 pp 1, 5

[Interview with Aurel Ghibutiu, president of the Romanian Chamber of Commerce and Industry, by Ela Alexandrescu; place and date not given: "We Can Do Good Business If We Carefully Choose Our Objectives and Partners"]

[Text] [Alexandrescu] Mr. Ghibutiu, you were part of several Romanian delegations that recently participated in various international meetings. What were the circumstances of these meetings?

[Ghibutiu] All the international meetings in which we participate are opportunities to establish fertile contacts between Romanian and foreign businessmen. On 19-22 October, I thus participated in the 10th annual Global Convention for Business Opportunities—G-BOC '92—in Osaka. The Romanian delegation was composed of representatives from CCIR [Romanian Chamber of Commerce and Industry], of the Prahova County CCI [Chamber of Commerce and Industry], and of businessmen.

[Alexandrescu] What were the activities of our delegation in Osaka?

[Ghibutiu] To begin with, we established trade contacts with Japanese firms and companies in other countries using a computerized agenda. We also had a booth where we displayed publicity brochures from Romanian firms. At the same time, we participated in an interesting series of seminars, discussions, and conferences. We presented three papers on the topic "Creating a Business Climate in Romania," entitled: "Specific Features of Romania's Economy During the Transition to a Market Economy," "Business Opportunities in the Present Economic Circumstances," and "Foreign Investment Climate in Romania."

[Alexandrescu] Are the Japanese interested in business with Romania?

[Ghibutiu] Yes, Japanese interest in us is increasing. I believe we will see greater bilateral economic relations.

[Alexandrescu] You recently signed in Bucharest a joint statement from the two economic cooperation committees Romania-Korea and Korea-Romania. What can you tell us about this event?

[Ghibutiu] We have prepared this meeting and formed the two mirror committees for a long time. Once the statement is signed, we hope that economic relations between Romania and Korea will blossom. We are glad we were able to convince the Koreans that beyond factors in the political sphere, there was no reason to postpone the chances of conducting economic exchanges. It is clear that the transition to a market

economy is taking place in Romania, so that the "confirmations" that some are still expecting become superfluous.

[Alexandrescu] What other activities of this type do you foresee for the future?

[Ghibutiu] In addition to the relations with Korea, we have made significant progress in relations with the United States, and as you have seen, with Japan. We hope that during the last month of this year we will meet with the Americans in Bucharest and with the Japanese in Tokyo in spring of next year.

[Alexandrescu] As president of CCIR, what do you expect from the country's government?

[Ghibutiu] Like everyone else, I expect the good things that we so badly need. In the first place, I would like to see a defined legal framework in which the economy can move flexibly and efficiently, a formulated general economic strategy, and a mechanism that would operate increasingly well. And then, I would like it to be known—because everyone does not know it!—that this nongovernmental organism, the CCIR, is not an antigovernmental organization. In order for us all to pull in the same direction, we must first agree where we are heading.

[Alexandrescu] Mr. Ghibutiu, if you could only say a few words about planning, what would you tell us?

[Ghibutiu] I would say that it is very necessary!

Austrian Chancellor Talks About Cooperation

93BA0175F Ljubljana DELO in Slovene 5 Nov 92 p 6

[Interview with Austrian Chancellor Franz Vranitzky by Vojko Flegar; place and date not given: "It Is Necessary To Assess All of Slovenia's Capabilities Correctly"]

[Text] *In the talks that Vranitzky will conduct in Ljubljana, particular attention will be devoted to economic projects such as highway links and energy; "Slovenes will soon be in the first league of states."*

Vienna, 4 Nov—Before tomorrow's arrival for a two-day visit in Slovenia, Austrian Chancellor Franz Vranitzky received DELO's permanent correspondent, Vojko Flegar, and answered several current questions especially for DELO:

[Flegar] Mr. Chancellor, you are now leaving for Slovenia for the first time since recognition of its sovereignty, and at the same time, you are also the first prime minister of any state to come to Slovenia.

[Vranitzky] Really? I did not know that I was the first.

[Flegar] Is that perhaps why you perceive this two-day visit differently than other, "routine"—if I may say so—visits?

[Vranitzky] I certainly do not consider this visit a routine one. I will say why. Slovenia has already followed its own path, a new and important one, for a long time and in its own way. It is Austria's neighboring state that was the last to start developing the "personality of a neighbor," because of its belonging to Yugoslavia until recently. I think that precisely at this time, when we seek and need stability in different parts and regions of Europe, it is necessary to take advantage of those possibilities where that stability can be achieved first of all or earlier than others. As another factor, I must mention leading Slovene figures who already contacted us earlier and sought relations with us, and had very realistic ideas in doing so....

[Flegar] Are you thinking of Mr. Kucan and Drnovsek?

[Vranitzky] Yes, well, I would not like to exclude anyone, but Kucan should be mentioned at the very beginning—also Pucnik, Drnovsek, and certainly Peter J. In this regard one can observe a certain continuity in the efforts of leading Slovene figures, and also as far as the figures themselves are concerned. In the third place, I would like to say that the visit will certainly be important for the development of economic cooperation.

[Flegar] How would you describe the development of political and economic cooperation between Slovenia and Austria last year, or perhaps better stated, during the first year? As far as economic cooperation is concerned, for instance—nothing has yet come of several projects that were already agreed upon, at least in principle. Let me remind you of the chain of Sava electric power plants!

[Vranitzky] Yes, you are right. In any case, I would like to use my visit to get several projects under way. Of course, I cannot say yet what will happen, but in any case I am traveling to Ljubljana without prejudices and with the intention of having that project in connection with the thermoelectric power plant...

[Flegar] Sostanj?

[Vranitzky] Yes, we should get that project under way. And others—you mentioned the Sava electric power plants. That project should also be started.

[Flegar] The prominent Vienna Institute for International Economic Comparisons recently classified Slovenia in the second league of East European countries, after Poland, Czechoslovakia, and Hungary. It seems to me that we in Slovenia have a slightly better idea of ourselves.

[Vranitzky] I have not read that institute's analyses.

[Flegar] It was summarized in NEUE DEUTSCHE ZEITUNG.

[Vranitzky] And how did they justify it? With statistics?

[Flegar] Yes, on the basis of the growth or decline of the social product, the unemployment rate, etc. But I would like to ask where you see Slovenia's comparative advantages and weak points within the framework of the above-mentioned countries.

[Vranitzky] In the first place, if economic analysts have ranked Slovenia in the second league, then Slovenes, if I know their sporting spirit, will certainly try very hard to get into the first league soon. That assessment by the economic analysts probably has something in common with what I said in the beginning. Regardless of what kind of system Poland, Czechoslovakia, and Hungary had before, they were nevertheless independent states, which traded with each other and the West on the basis of a certain level of industrial development. Slovenia was not independent and could not develop this. Furthermore, these countries have traditional industrial centers that were on an international level before the communist period. Slovenia, unfortunately, did not have that, or not to the same extent.

[Flegar] All three countries also have an incomparably larger internal market. Does that have any influence?

[Vranitzky] Well, yes, certainly. But you have several European countries that are smaller than Slovenia, but economically successful, for example Luxembourg and Liechtenstein. I would not like to talk like a headmaster, but perhaps it is first necessary to assess correctly Slovenia's capabilities, possibilities, the given factors: its location on the sea, the port, the attractiveness of the countryside created for tourism and vacations. Perhaps it is not unimportant that Slovenia's neighbors are two industrially important states, Italy and Austria, to which Slovenia offers new possibilities. In the final analysis, a great deal will depend upon the imagination of Slovene

enterprise, and on how it can create something out of these possibilities and given factors.

[Flegar] If I can ask you quite specifically, as a financial and banking expert, do you have any prescription for how to rehabilitate the banking system?

[Vranitzky] I cannot give any prescription here and now, but I would be very interested in hearing what the concrete problems are, and I hope that I will have an opportunity to talk with someone about it. Every financial and banking system has its own special features and its own difficulties. Two large Austrian banks are in Slovenia, and I hear that—I am saying this with all due caution—money is still flowing out of Slovenia, and not flowing in. It would therefore be good to get some attractive project as soon as possible that would attract investors.

[Flegar] I heard that Hungarian Prime Minister Jozsef Antall, during his recent meeting with you, expressed a desire for Austria to make more truck transit permits available to Hungary, and to the best of my knowledge the Austrian Government's position was very negative. Many times the Slovene economy's road to western markets also leads through Austria. What is your position on transit?

[Vranitzky] You heard correctly. With several states, including Hungary, we have worked out a theoretical model which no longer only mentions the quantitative, arithmetic number of permits, but whose fundamental slogan instead is that we should combine the desire for more permits with the new ecological thinking. It is a system in which—without going into details—the number of truck permits is associated with combined highway-railroad transportation (piggyback transportation). In that way it is possible to relieve the burden on the roads.

[Flegar] Does Slovenia have the technical possibilities for anything like that, such as, for instance, a "train with trucks" from Krems to Hungary and vice versa?

[Vranitzky] Well, the Hungarians are not technically equipped for piggyback transportation everywhere either, but that is why our transportation minister has now agreed with the Hungarians that with our financial assistance and cooperation they will establish such lines. We are also preparing contracts for the kind of railcars that are needed and that the Hungarians do not have. If anything like that were of interest to Slovenia, we are prepared to cooperate at any time.

[Flegar] As you probably know, Slovenia urgently needs highway links as well. One of them, generally speaking, is a link between the Italian and Hungarian borders through Ljubljana, and the other two are the roads from Sentilj and the Karawanken pass to the Croatian border. The Croats also want the Sentilj road very much, the continuation of the Pyhrn highway. From Austria's point

of view, does one of these roads have any advantage, and does Austria have any special interests in connection with this?

[Vranitzky] In general, I would say that for both the Tauern and Pyhrn highway, it is important that they not end "just like that." You certainly know that the original concept was to link central Europe with the Balkans and the southern end of our continent. We are available for construction and financing, but which roads you decide on are probably not our business.

[Flegar] You previously mentioned the harbor....

[Vranitzky] Do you know which one is most important to us? Hamburg, and then Bremen.

[Flegar] Could that be changed in favor of Koper, and what would have to be done?

[Vranitzky] Hmm, a good question. We were probably already oriented toward Hamburg for topographical reasons. In the south you have Karawanken, but in the north the countryside is open. In the second place, it is probably true that in the first decades we built highways primarily toward Germany: Vienna-Linz-Salzburg-Munich, and toward Passau and Regensburg... The same thing is probably true of the railroads; they were European links.

[Flegar] Austria is still a member of the EFTA [European Free Trade Association]. Would the countries in the free trade area have any interest in Slovenia's associate or full membership?

[Vranitzky] The EFTA, of course, will continue to exist and function until the member states become members of the EC. With the European Economic Area [EEA], the process of the rapprochement of the two economic groups will be considerably advanced. The EFTA is no longer what it was.

[Flegar] You always thought that the recognition of Slovenia, Croatia, and Bosnia-Herzegovina would not necessarily contribute to settling the situation in the Balkans. At least as far as Bosnia-Herzegovina is concerned, you were undoubtedly right. Now, when there is so much talk about a possible partition of Bosnia-Herzegovina, does that possibly seem like a good solution to you? What kind of solution is even still possible, and what could the international community still do?

[Vranitzky] Different people imagine a "solution to the situation" differently. If someone asks how the situation could be resolved, he should obviously be asked what kind of solution he wants. In Helsinki, at the CSCE meeting, Mr. Izetbegovic clearly said that the so-called cantonization was out of the question. Mr. Tudjman likewise told me in Helsinki that cantonization was a possibility. I am afraid that with the conflicts the hostility has progressed so far that only a definite concept of partition could stop the shooting. Izetbegovic also sees that as a possibility now, and probably the countless attempts of the international community to stop the

battles will not be able to go beyond what the people in Bosnia-Herzegovina themselves consider possible.

[Flegar] After the latest financial upheavals and the complications in connection with the Maastricht agreement, some cynics are saying that Europe did not succeed in restoring order in the Balkans, and now it is on the road toward Balkanization itself. Did you personally expect such difficulties in European integration?

[Vranitzky] They have to be separated. Difficulties in the European monetary system are possible sooner or later in view of the system and the speculations. As far as European integration is concerned, I must say sincerely that I did not count on such great difficulties. Like many others, I conclude that fulfillment of the idea of European integration will be slowed, but not stopped. Such great ideas as, for instance, European integration have always been characterized by political backwardness. Let me remind you that France, in De Gaulle's time, conducted an empty seat policy—it did not drop out, but it did not participate either. Great Britain has also continued to have domestic difficulties with respect to integration. What can be learned from all of this is that political work, on the increasingly more diverse West European political scene, should also be devoted to a much greater extent to persuading and explaining. Political work will be more difficult in the future.

Italian, Slovene, Croatian Views on Osimo Treaty

93BA0215A Ljubljana DELO in Slovene 14 Nov 92
pp 1, 3

[Article by Lojze Kante: "Not Negotiations on the Border, but Rather on Compensation"]

[Text] *Italian Foreign Minister Colombo: After the elections we should negotiate on compensation for the Italian emigrants; Rupel: It is only a question of a delay in payment.*

Rome, Ljubljana, Zagreb, 13 Nov—Italian Foreign Minister Emilio Colombo's statement that Italy intends to put forward an initiative for revising several articles of the 1975 Osimo agreement, for which Slovenia assumed responsibility after the collapse of Yugoslavia, aroused considerable interest both in Italy and in Slovenia and Croatia. The question was immediately raised on whether Rome was yielding to pressure from the Italian right wing, especially in Trieste, which has been advocating a change in the border for a long time.

The foreign minister undoubtedly disappointed the Italian extremists when he clearly stated that Italy would not demand any changes in the state borders, and wanted good relations with Ljubljana and Zagreb. After the December elections, Italy will request compensation from Slovenia for the property of the Italians who emigrated from Istria after World War II. Colombo said that the negotiations with Slovenia should start after the elections, because otherwise they could be used in the campaign struggle.

Last night the discussion of the need for new negotiations in connection with the Osimo agreements between Italy and Slovenia shifted from Trieste to the Roman Chamber of Deputies and Senate. Foreign Minister Emilio Colombo answered numerous interpellations from parliamentarians, especially from the border area of northeast Italy. Several of them expressed not only a demand for revision of the agreements, but also for changing the borders between the neighboring states, and criticized the government for recognizing Slovenia as a successor to those agreements.

Emilio Colombo began by saying that after the collapse of Yugoslavia Slovenia, in accordance with the rules of international law, became a successor to the rights and obligations in the agreements. This did not require any ratification from the Italian Government, but only recognition of the new situation and the new entity. Without that recognition a legal vacuum would have arisen, with serious consequences, especially for Trieste's economy. He then emphasized that the Italian Government was already preparing for new negotiations with Slovenia, which would begin after the Slovene elections on 6 December. He himself had already contacted Minister Rupel. He would shortly meet with him again in Gradac at a meeting of the Central European Initiative foreign ministers. He was firm, however, regarding the border between Italy and Slovenia, which he said was inviolable, because the Helsinki document so stipulated. In response to Senator Agnelli's criticism that there had already been some changes in Europe, he noted that there had only been an elimination of the border between the Germanies, and in the Soviet Union, the internal borders had been changed to international ones. The Italian foreign minister expressed agreement with his predecessor, De Michelis, that the Osimo agreements should be outgrown with new treaties on good-neighborliness and cooperation with Slovenia. In his opinion, a whole series of provisions in the agreements have already been superseded, or are unfeasible because of the altered situation. That applies, for instance, to the mixed industrial zone in Kras, which should be eliminated. Among the initial negotiating topics, he mentioned in particular the issues of compensation to the people who changed their citizenship and the emigrants for the nationalized and confiscated property, and greater protection for the Italian minority in Istria.

Colombo also consoled various impatient people when he said that in regard to all the issues that the government had raised with Slovenia, it would consult with local authorities, especially the province and the Trieste municipality, and that regarding the compensation it would also consult with the emigrant organizations and the minority in Istria with respect to its rights.

After Colombo's opening words, almost all the deputies and senators from the border area participated in the parliamentary discussion. Biasutti, Coloni, and Bordon accepted the minister's calm words with satisfaction, and pointed out current issues in the border area, especially in the economy, which wanted to become a bridge to

East Europe. Greens Deputy Goato even reminded them of President of the Slovene Presidency Milan Kucan's words that Trieste could not oppose various initiatives in relations with Slovenia by protests alone. Slovene Senator Darko Bratina also said that the Osimo agreements did not just affect Trieste, and he assessed the Trieste protest demonstrations as extremely questionable. In his opinion, Gorizia would be willing to accept a mixed Italian-Slovene industrial zone, which really was impossible in Kras. He also recalled that the issues of both minorities were unresolved, not just the Italian minority in Istria, but the Slovene one in Italy as well.

In recent months right-wing Trieste has been intensively involved with the Osimo agreements that were signed 17 years ago by Italy and Yugoslavia, and succeeded to by Slovenia after the latter's collapse, with the Rome government's consent. The main demand upon Rome and Ljubljana is that both sides have to negotiate again on all aspects of the agreement, including a new demarcation, since allegedly they were definitely concluded in Yugoslavia's interest and through them the Italian government betrayed national expectations. There is no doubt that by emphasizing Osimo issues before the provincial and regional elections, the right wing is also trying to settle accounts with local democratic forces.

With the Trieste anti-Osimo campaign, it is necessary to point out in advance that Slovenia inherited 52 different treaties and agreements concluded by Yugoslavia and Italy after World War I, with the oldest of them going back to 1922. Many of them also affect Trieste realities directly or indirectly. Since it was precisely upon the conclusion of the Osimo agreements in the mid-1970's that protest polemics broke out, with the organization of committees of ten against the joint industrial zone in Kras, from which List for Trieste later arose, its proponents, together with the neofascists, are still trying to exploit them for their own political goals and for continuing to maintain the anti-Slovene tension in their own territory. In doing so, they are going far beyond the framework of the agreements, with irredentist ambitions.

Essentially, it is a treaty between Yugoslavia and Italy that establishes a final border between the neighboring states in the former Free Territory of Trieste, and regulates status and other issues regarding the residents and their property, and the rights derived from it; there is also an agreement on intensifying economic cooperation between Yugoslavia and Italy that affects the broader border area of both states (a mixed industrial zone is foreseen in Kras, which would extend on both sides of the border). This is followed by a final document that provides for simultaneous implementation of the treaty and the agreement on both sides. For the sake of good-neighborliness, both sides planned a series of joint commissions and other working bodies that were supposed to oversee implementation of what had been agreed upon. Unfortunately, after their ratification the agreements soon ran into trouble, since there was neither enough political will or money to implement them. Only

the exact demarcation between the states, including the maritime one, was implemented within the agreed-upon period.

[Box, p 1]

"Minister Colombo stated what is indisputable and what we already knew: that there cannot be a change in the border between Slovenia and Italy. As has happened in the past, however, in part of his speech he had to take into account the mood that prevails among the former refugees in right-wing circles in Trieste. In principle, those positions do not prevent a further dialogue, and I think that at the Central European Initiative meeting we will be able to start to talk calmly about numerous unresolved issues. De Michelis already predicted going beyond the Osimo agreement before him, and I agreed with it, since many things have changed since 1975. The industrial zone in Kras is certainly something that can be changed. In regard to the property issue, I would like to say the following: Slovenia, as a successor to Yugoslavia, as a treaty partner, has fulfilled its obligations. The only question is the delay in paying the compensation of \$110 million that Yugoslavia owed them. The first two installments were paid, and the next installments are not a problem for Slovenia; it is only necessary to agree with Croatia on how much of a share each of the two states should take over. I personally think that a 30:70 ratio (30 for Slovenia) comes into consideration, but that can also be discussed," stated Foreign Minister Dr. Dimitrij Rupel for DELO.

[Box, p 3]

Croatia does not support changing any borders, including Slovenia's, Croatian Foreign Ministry representative Ivana Moric stated today. The Croatian Foreign Ministry ascribes particular significance to the part of Colombo's statement which says that there is no question of changing the border, and thinks that this issue will not be raised in relations with Rome, in spite of some such Italian demands that have been heard recently. As for compensation for the property of the residents of Italian nationality who emigrated from Slovene and Croatian territory after World War II, Ivan Moric said that Slovenia and Croatia would each talk separately with Italy about this, but only after the end of the process of dividing up the property and debts of the former SFRY.

Economic Cooperation Discussed With Macedonia

93BA0175C Ljubljana DELO in Slovene 3 Nov 92
pp 1, 2

[Article by Silva Ceh: "Trade With the South Is Declining"]

[Text] *Delegations from the Slovene and Macedonian chambers of commerce on improving economic cooperation; unregulated payment transactions are a bottleneck.*

Ljubljana, 2 Nov—In the last few months the volume of trade between the Slovene and Macedonian economies increased again to some extent, after it disappeared completely, so to speak, because of the collapse of former economic ties.

Slovene Chamber of Commerce [GZS] President Feri Horvat, at today's meeting with the Macedonian Chamber's leadership, also attributed this to the positive consequences of the agreements already concluded between the two states, although immediately afterward he said that payment transactions were a bottleneck in these relations. Unregulated as they are, they are not strengthening the necessary trust among businessmen. From the Macedonian point of view, concrete economic cooperation has been virtually prevented by the transportation blockades facing Macedonia.

In spite of this, as Macedonian Chamber of Commerce President Dusko Petreski said, they are nevertheless trying to overcome the problems somehow. The prolonged transportation blockade requires, among other things, high costs of transportation through other routes. Because of the Greek blockade, Macedonia has experienced a serious energy crisis, since several tens of thousands of tons of oil and fuel oil intended for Macedonia has been confiscated in Thessaloniki alone. In economic cooperation with the republics of the former Yugoslavia, the Macedonians have also been affected by the UN resolution, and cooperation with the EC states has also been made more difficult by the specific difficulties that the Macedonians have with Greece in connection with the "notorious" name of Macedonia.

They also have numerous other difficulties, such as, for example, unresolved debtor-creditor relations, and then the issue of the ownership of Slovene enterprises in Macedonia, which, according to Petreski, wanted to sell that property quickly, although "we are assuring them that it will all remain theirs." He advocated intensifying bilateral cooperation between both states, regulating customs issues, and then having both partners avoid double taxation, and also having Macedonia receive most-favored-nation status in Slovenia, and in any case, having long-term cooperation developed between both states, accompanied by the necessary trust, to which, not least of all, "our years together" should also contribute.

There is a great deal of interest in improving the structure of economic relations between Slovenia and Macedonia, and also possibilities for doing so, stated Dagmar Suster, vice president of the Slovene Chamber. In his opinion, in addition to their joint "past work," both states are vitally interested in expanding their markets. Suster has an optimistic view on resolving the disrupted transportation routes. In payment transactions, however, he does not see any solution in the direction that would be given by the exchange rate between the Slovene tolar and the Macedonian currency, and instead he particularly advocates "all possible and impossible" methods of payment, from clearing accounts to deposits.

In any case, however, in his opinion it will be necessary to give more and more emphasis to convertible trade.

And what did the businessmen of both states say? Almost all of them emphasized that it was necessary to put pressure on the states to reestablish possibilities for economic cooperation. The Slovene side gave assurances that it would not flee from Macedonia, since it was among the first to establish a mixed enterprise (for example, Zlatarna in Celje), whereas the Macedonians complained that fresh capital was not coming from Slovenia as founding capital for the emerging mixed enterprises, and instead it was primarily buildings, etc. Macedonian textile and steel producers do not want to lose long-standing ties with Slovenia. Are Macedonian prices to blame, then, or their demands that in nonferrous metallurgy and the iron industry they be paid in foreign exchange? Or else, as Peterski said, "You have a hypocritical attitude: When you sell, you inflate the prices, but when you buy you demand world prices." A representative of Macedonian wine producers said among other things that because of interrupted and moreover still disrupted transportation the agricultural and food industry had suffered a great deal, since as a rule it cannot afford transportation longer than four or five days.

More or less everyone emphasized that the priority in government and Chamber meetings should be reopening payment transactions. The Macedonians do not see clearing as a solution either, since so far nothing has been done for the necessary control of commodity lists, and neither the Macedonian Central Bank nor Ljubljanska Banka, for example, will finance the 40 million marks in the anticipated balance in the trade agreement. Bankers' predictions that nonresident accounts would not work out, and that as they were they would create chaos, turned out to be correct. The Macedonian SDK [Public Auditing Service] is no longer supposed to create difficulties for Slovene enterprises that open such accounts at Macedonian commercial banks.

Of course, there are still many concrete problems. Certainly one should listen to the businessmen of both states, who say that the governments have to adopt the kind of agreements that will be feasible in real life, so that then they will not surprise each other by why it is easy to open letters of credit in New Zealand, but impossible for Macedonians in Ljubljana and Slovenes in Skopje to do so.

At any rate, the reestablishment of business and economic ties is not going very smoothly for the new states on the territory of the former Yugoslavia. The awkwardness is best illustrated by relations with Croatia, in which economic agreements between the states are prepared at first, but then in practice they function more or less according to the principle of "cope by yourself." They were certainly made more difficult this summer by the Croatian tariffs imposed on Slovene goods, since Slovene exports to Croatia fell from \$90 million in June to \$55 million in July. Could we then expect trade

between the Slovene and other markets, i.e., the Bosnia-Herzegovina and Macedonian markets, to flourish more ideally? The embargo on trading in goods that was imposed by the UN resolution and that bans trade with the Federal Republic of Yugoslavia, i.e., Serbia and Montenegro, has more or less completely frozen business relations that were already extremely curtailed. One should not rely completely on the facts that indicate that in July Slovenia exported somewhat less than \$500,000 in goods to those markets and imported approximately \$1.8 million from there, since from the customs declarations that are supposed to distinguish clearly between these products, their origin—thus including goods from Macedonia and Bosnia-Herzegovina as well—is not certain. On top of everything, the UN resolution does not ban exports of medicines and food for humanitarian purposes.

In July 1992 Slovenia imported \$80.7 million in goods from the markets of the former Yugoslavia, and sold them a full \$70 million. As stated, trade with Croatia is in first place by far, but trade with Macedonia is not negligible either, since Slovene enterprises sold \$13.5 million in goods there, and imported \$7.5 million from there. In what? One has to agree with those who feel that it is primarily very cheap Macedonian wine and vegetables coming to Slovenia. Of course, for understandable reasons business with Bosnia-Herzegovina has completely gone to the dogs, and exports and imports to that increasingly ruined state are almost equivalent: Slovenia exported \$2.6 million in goods to Bosnia-Herzegovina, and imported \$2.4 million in goods from there.

One of the interesting indicators is also the structure of Slovene trade with the formerly "fraternal" republics, since in contrast to the reproaches that are not all that old, Slovene enterprises are primarily buying consumer goods there and substantially less semifinished products.

Agricultural Development Policy Debated

93BA0175B Ljubljana DELO in Slovene 2 Nov 92 p 2

[Article by Marjeta Sostaric: "Excessive Protection Makes Food More Expensive"]

[Text] *Dr. Davorin Kracun: Business conditions in Slovenia are determined by the world market, and there is simply no other choice except for us to adapt to the established rules of the game; restrictions in subsidies for agriculture.*

Ljubljana, 1 Nov—Slovene farmers are lamenting that they are receiving less and less pay for their work, and industry is complaining that it can no longer withstand the pressure from domestic farmers who want more for their products than the processing industry can pay them, while the public is responding to all this in its own way—through the market. There are high expectations that a lot of things will be better when the strategy for the development of Slovene agriculture is adopted, and

protection for domestic production along with it. It seems that these expectations are too high, at least among the producers.

The strategy for the development of agriculture, as a working document that was prepared by the Agriculture Ministry in cooperation with numerous experts in the field of agriculture, has already entered public discussion. It actually repeats the old statements about how our agriculture, because of natural given factors and objective circumstances, has to be protected, and more expensive crops are thus, so to speak, an objective given factor. The government has not yet discussed the document, which will probably still be upsetting people in Slovenia for some time. Regardless of its position on the strategy for the development of agriculture that has been prepared, the view of Planning Minister Dr. Davorin Kracun is eloquent in its own way. He emphasizes that there cannot be any general economic development without an appropriately defined agriculture in it, and that consequently it is not even necessary to doubt whether the Slovene state should be concerned about the development of agriculture or not. In his opinion, the key thing is to answer the question of how to find the optimum relationship among the different elements of economic policy that would lead to that goal.

"We have to proceed from the general economic situation, which is anything but good. For political reasons, the Slovene economy lost about 40 percent of its market, and industrial production has already been declining for several years, and today is about 40 percent below the level that it was at two or three years ago. No one in this state any longer has the protected and hungry market that we had or that Slovene enterprises had in the former Yugoslavia. We know that the former Yugoslavia protected its borders and its economy with high fences and that in that framework the Slovene economy was almost the most competitive, and that it had an ideal market in comparison with others. Now the situation is different," Kracun said, and at the same time also answered the criticisms of those who claim that the Slovene state is not concerned enough about protecting its agricultural production from competing imports. "We do not have a market that would permit high fences. We have a market of two million inhabitants, which in a way means that our domestic market is scarcely large enough for a suburb of some large city. In other words, it means that Slovenia's economic strategy can only be a strategy of an export-oriented and thus open economy."

The smallness of Slovenia's territory and the limitations that nevertheless put Slovene agricultural production in a different role than production has in any of the developed European states, however, require certain exceptions, agriculture thinks. "That is partly true," said Kracun, who also emphasized "that in Slovenia we simply do not have the room to be able to establish any separate rules of our own.

"From an economic standpoint, we simply have to accept the rules of the game that apply in the world.

There cannot even be any exceptions, since we cannot afford it because of the smallness of the market. The only alternative is the strategy of an export-oriented, or rather open economy. There is also enough room in that strategy for all aspects of the production of food and for all industries that also include agriculture. The room to maneuver, however, is extremely small. Business conditions in Slovenia are essentially determined by the world market, whether we like it or not. When we are in the role of the consumer, we even like it, since it opens up to us the entire range of products offered by the world market. When we in this state are in the role of the producer, however, and when we have to be competitive with the results of our work, our money, and our abilities, we like it less. There is simply no other choice, however. Even much larger economies have tried to live in isolation, whether it was supposed to be isolation of the system or isolation of the economy, and such isolated economies have gone bankrupt. Isolation has also destroyed much larger and much better developed economies than Slovenia's."

We still know, however, that Slovenia needs an appropriate level of self-sufficiency in food, and that this is a strategic commitment that no one denies, even in the government.

"That is why it is also necessary to conduct a protective policy toward agriculture to a certain extent, in the same way as other states do," Minister Kracun said, and added that in this regard one should be aware that in the field of agriculture as well, "just as for exporters, there are objectively given limits as to what is possible and what is not." In this regard, he is simply proceeding from the fact "that a Slovene worker in industry, who exports his production and has an average net wage of around 600 German marks also wants to imitate in his consumption and way of life a European worker, who earns an average of at least 2,000 or 3,000 marks. On the other hand, that worker of ours cannot afford to buy food at prices that would be higher than European ones. Even a wage of 600 marks per month, according to many views, is too much for export production. Sooner or later there will be a coordination and even a reduction of the average net wage, measured in marks, even though we are trying to keep it from happening. The data on the decline in export production are making us think. If the wage of the average employee in Slovenia is only a third or even a fourth of the average European wage, and if higher wages are not even possible here because of export competitiveness, and on the other hand the price of food, with

our relatively low standard of living, already represents half of monthly expenditures on food, then it is clear that Slovenia can only accept the kind of food production that is cheaper than domestic food prices in European countries. Employees in Slovenia simply cannot enjoy food at the prices that employees in Switzerland can. In several sectors of food production there has been a collapse of buying power, and that is also obvious from the surpluses and the reduction in the consumption of individual agricultural products, even though the size of the Slovene population has not declined. We also have to resolve the issue of protecting agriculture within this framework."

Agriculture urgently wants the state to protect production with additional tariffs, and the export of products is also supposed to be substantially more subsidized.

"Unfortunately, the limits to subsidies and to closing the market have been set very sharply. The possibilities for subsidies are limited by the ability of the taxpayers. At this time the state cannot give more than it takes in in taxes, and that is from the industries that are vigorous and are net taxpayers. Major shifts in this regard are practically impossible, since the Slovene taxpayer has an above-average tax burden in comparison to the one in Europe. A closure of the market, through which we would achieve a higher price at home, is another matter. We are limited in that regard by employees' buying power."

In putting agricultural development in a realistic framework, it also seems important to Minister Kracun to emphasize that everyone has to find his own reserves, at least until a turnabout in economic growth is achieved. "It is obviously necessary in agriculture to decide which types of production we have comparative advantages in, in which we are still competitive, and on the basis of that, to put somewhat more emphasis on the production that is competitive and not on what constantly needs an increasingly higher level of protection. On the other hand, we also have to ask ourselves, regardless of natural given factors, whether our agriculture is even organized in such a way that it can take advantage of those natural given factors to the greatest possible extent; and furthermore, whether we have already reached the optimum size for farms and whether it is not excessive to demand full repayment of expenses according to model calculations, in view of the actual and not optimum conditions on which those calculations have to be based if we want to accept them as realistic ones. In that respect a whole series of questions are also raised regarding the plans for a strategy for developing agriculture."

More on JNA Intelligence Targeting of Macedonia

93BA0206A Skopje PULS in Macedonian 5 Nov 92
pp 10-12

[Article by Mirka Velinovska: "The Spider Has Left but the Web Remains"—second part in a series; part one published in JPRS-EER-92-162, 24 November 1992]

[Text] *While Macedonia was taking its first step toward independence, along with their political scenarios for "saving Yugoslavia," the secret services of the Yugoslav Army were preparing actions aimed at the overthrow and elimination of the "secessionist regimes." And although Macedonia had no priority in such plans, a plan had already been drafted to discipline this "southern Yugoslav republic," should this become necessary. The following text is an exclusive report on the operative plans of the "JNA" [Yugoslav People's Army] and its "strike fists": the Security Administration, the KOS [counterintelligence service], "Opera Orientis," and the security agency of the Third Army District, whose activities PULS is the first to make public. In this issue we speak of those who had to know the agents and the "preserved" network of the Yugoslav People's Army Intelligence Service, the way the military sites in Skopje, Bitola, and Strumica were mined, the way the "boulder uprising" in Macedonia was being prepared, and which Kosovo people are permanent guests of our state....*

On 5 October 1991, the chief of the Security Agency of the Third Army District, Col. Risto Ristovski, issued to his subordinate agents their operative assignments. The referendum in Macedonia had clearly indicated the popular will. The adoption of a constitution was forthcoming, and the position taken by Macedonia was clear to the Armed Forces. According to the assessment of the team headed by Aleksandar Vasilevic, it was high time to activate the scenario for Macedonia. For that reason, on that day the agents were informed of the following:

- "1. Supreme Command headquarters are united;
- "2. The SSNO [Federal Secretariat for National Defense] must claim legitimacy;
- "3. It has been resolved that the Supreme Command will meet more frequently and, on the basis of obtained information, evaluate the situation;
- "4. The Supreme Command is determined to prevent genocide and war;
- "5. The reorganization of the JNA will come after the agreement on the future of Yugoslavia has been reached;
- "6. The main task is to protect the nations which would like to live within Yugoslavia;
- "7. Special steps must be taken to protect the members of the JNA and their families;
- "8. The scenario for the breakup of the JNA in Macedonia will be the same as in Slovenia;

"9. Use operative sources to determine the intentions in Macedonia against the JNA;

"10. Everyone must prepare operative positions and find sources within the institutions, and information must be provided in order to document proofs and take counter-measures;

"11. Watch out for disinformation;

"12. Activities must be documented with other materials and not only through eavesdropping devices; and

"13. The operative work of the service is unsatisfactory."

The agents were asked to provide specific and timely information, and any acquired negative information to be delivered directly "in hand," especially that indicating the possibility of developing assets within the MVR [Ministry of Internal Affairs] and the SDB [State Security Service] to detect the intentions of the Macedonian state and to identify JNA command personnel who, while remaining in their own country, were cooperating with the MVR.

The people went seriously to work: in the MVR, the parliament, and the Macedonian Government, recruiting "agents-manipulators." Most such efforts were unsuccessful. PULS has the statement of an expert in the Ministry of Internal Affairs. He was approached by the JNA security agency interested in the nature of the discussion between Kiro Gligorov and Hans Dietrich Genscher in Belgrade, and who also wanted to know the situation within the ministry and learn more about the visits paid by foreign delegations to Macedonia. Bearing in mind that the Macedonian parliament was of particular interest to the security agency, the agents tried to develop as many close contacts as possible in order to recruit a wider range of representatives of all parliamentary parties. In that context, it was worthwhile knowing that most of those approached rejected such cooperation. One of them was Slave Naumovski, a Liberal Party member, who was not only approached but also asked to report on the intentions and views of Stojan Andov. An equally unsuccessful attempt was the case involving Tito Petkovski. Naturally, particular interest was shown in the national parties and their influence among the people. For that reason, detailed data were gathered on their leadership and their attitude toward the JNA, as well as their ties and contacts with political parties in Slovenia and Croatia, the existence of trends and factions within the parties, their preparations for extraparlimentary activities in the sense of organizing demonstrations, strikes, boycotts, and so on. This was quite convincingly proved by the admission by Mikhailo Pavicic, deputy chief of the Security Service, who told Col. Risto Ristovski that "he is in contact also with the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] and had been ordered to take steps to intensify such contacts."

According to some information, the agents' infiltration in the national parties was not without significance; in practical terms, the so-called Yugoslav parties were totally taken over: the SK-Movement for Yugoslavia [League of Communists-Movement for Yugoslavia], the Party of Yugoslavs, and the "new" KPJ [Communist Party of Yugoslavia] (so far unfamiliar to the public at large). Putting themselves fully in the service of the JNA, some individuals concentrated on spreading ideas, the eventual purpose of which was for Macedonia to join the Serbian Federation. One of the main tasks was to set up paramilitary armed units that would fight on the side of the JNA for the "salvation of Yugoslavia." The plan formulated by Belgrade "experts," accepted as the most suitable, called for the establishment of a "national front" whose task would be to call upon the citizens to fight and, within the same framework, for creating a Yugoslav national salvation government.

For the period under discussion, a special target from the point of view of Army intelligence, and an assignment for agents of the Union security service, was the Ministry of Internal Affairs, the State Security Service in particular. The purpose, as some documents indicate, was to create conditions resulting in the public compromising of the MVR through infiltration, as was the case with the Croatian ministry. This meant the "Labrador" plan, which had already been used twice in the northern part of the former Yugoslavia, was to be used a third time. That was precisely why the Army agents were doing everything possible to acquire information on how and with whom the SDB was working. For a while they received information from Milos Lozanovski, an inspector of that service in Bitola, who was acting independently. They were also interested in the purpose of the reorganizations within the ministry and in the private and public lives and political views of the leadership, in whether someone was reacting from dissatisfaction with cadre changes, and many others. Also of interest to the security agency of the Third Army District was the Macedonian Government and its ministries and, from the viewpoint of Army security, an interest in the ministers' political and personal beliefs. Particular interest was shown in anything related to Kiro Gligorov, Stojan Andov, and Nikola Kljusev.

Eavesdropping may seem trite compared to activities such as spying, recruiting, and so on. The reason may be that the issue of who was eavesdropping on whom has been made quite clear. However, from the viewpoint of our topic, the extent of such activities is more than significant. Thus, for example, on 19 September of last year, Stojadin Antic, Risto Ristovski's deputy, secretly recorded a conversation between the members of the assembly and the government and JNA representatives. After the JNA withdrew from Macedonia, by tapping telephone lines the pertinent agencies were able to determine that the targets of such illegal telephone spying were Gen. Mitre Arsovski and Gen. Tomislav Trajceviski. Even the suite in the military hospital in which, at that time, Gen. Trajce Krstevski was undergoing

treatment was tapped. All this, naturally, was done with the knowledge and at the request of the chief of the security agency of the Third Army District, Col. Risto Ristovski, and his deputy, Lt. Col. Stojadin Antic.

This is precisely the point at which we come to the main question: Who are the people who, voluntarily or coerced, consciously or unconsciously supplied information to the Army intelligence service? Who are the members of the so-called preserved network, which remained behind as the Army's gift to Macedonia and which, based on need and location, could and still can be activated by the JNA? Who are the people within the counterintelligence network who infiltrated the parties? The answers to these questions are known to a few people, to the so-called Skopje connection of the KOS. Other than Simeon Tumanov, who, in talking to PULS, said that he did not know of the existence of such networks or that he had heard about any such groups in Macedonia, based on the nature of their work, people who had to know included Col. Risto Todorov, of the Air Force anti-aircraft defense, Col. Risto Ristovski, chief of the security agency of the Third Army District, Ilija Ercegovic, chief of the RSTO [Territorial Defense Intelligence Service] in Macedonia, Col. Gjorgi Dineski, chief of the security agency for the Kumanovo corps, Col. Nikola Glumac, chief of the security agency in the Bitola corps, and Slobodan Nikolic, chief of the counterintelligence group.

Col. Ristovski told us that, as a Macedonian officer, at that time he had been kept isolated, and that whatever may have been happening was the work of his assistant, Lt. Col. Stojadin Antic. Actually, according to information and documentation provided by some of those directly involved in such events, the truth was somewhat different: Not only those people (including Ristovski) knew with whom they were working and what they were doing but also when, in February 1992, Vasilevic and Tumanov, the first KOS people, came to Skopje. According to some information they met with the highest command security personnel of the Third Army District Risto Ristovski, Nikola Glumac, Stojadin Antic, Lt. Col. Nikola Stevanovic, and Col. Slobodan Nikolic. Allegedly, at that meeting they were assigned the task of moving the entire operative documentation to a safe location in Nis. Accordingly, one evening, using a special car followed by the military police, important documents were moved to Serbia. While this action was taking place, Tumanov, Vasilevic, and Ristovski were passing the time at the Tri Biseri restaurant. There is apparently no doubt that this action was seriously planned by these high-ranking Army officials who were peacefully spending their time in a coffeshop.

The highest ranking personnel of the security service of the various corps, who had been instructed to move to Skopje and deliver all operative documents and network of local agents, were familiar with this operation, which had been ready for some time.

Since for quite a while Macedonian officers had been considered unsuitable, the operation of assembling the documents was entrusted to officers of non-Macedonian nationality. However, also participating were Macedonians who had openly taken the side of the JNA and who subsequently left for Nis, such as Maj. Branko Petrovski (the only senior rank), Sergeant Dane Petrov, a counterintelligence agent, and Dragisa Davkovski, a counterintelligence cipher agent. One could ask why, once such preparations had become known, why was nothing more specific done to block the Army's action? Why were steps not taken to prevent the moving of such important documentation?

We were told by some of our interlocutors, particularly by the officers who had earlier put themselves at the disposal of Macedonia, that such countermeasures had been prepared. It had been agreed, for example, that in such a case the vehicle used to transport this valuable shipment would be driven by Josip Simic, who, at a most dramatic time, had put himself at the disposal of Macedonia and had already carried out similar assignments involving such previously organized Army transports. This time, however, it seems that nothing had been left to chance. Considering the importance of the transported items, Simic, who in the meantime had become suspect, was replaced at the last moment by a "trusted person."

"The JNA will remain in Macedonia either permanently or for a while. This depends exclusively on us. No more joking! No more!" This was allegedly said by Lt. Col. Gen. Milutin Kukanjac, commander of the Third Army District. On 22 November of last year he held a meeting with his assistants, the commanders of the five corps, the commanders of all units, and other senior officers. Removing the weapons and ordnance from Macedonia, as demanded by the SSNO was, according to him, almost completed, and the operation of taking and shipping outside the country the weapons of the territorial defense was under way. This, allegedly, "was not the responsibility of the citizens." However, he noted that the troops must be prepared to wage a "long struggle under winter conditions." He said that "the Army has reliable information that Italy was supplying Albania with weapons and that an opening of the southern front was expected imminently."

Only one month later, on the occasion of his promotion to colonel general and of the 22 November event, Gen. Kukanjac said in Pristina, with equal self-assurance, that "the Army will withdraw from Macedonia only temporarily," and that it would "hastily return." Such statements may equally be qualified as a general's meaningless wish. However, bearing in mind that the Macedonian political leadership proved to be "disobedient" in the view of the Army's political department, as witnessed by the adopted declaration of independence, the referendum, and the adopted Macedonian Constitution, and was assessed as "anti-Yugoslav" and "separatist." For that reason, obviously, the Army leadership had decided to bring order and discipline on our territory as

well, and to put into action "Opera." It is precisely in this context, being familiar with the activities of the JNA on Macedonian territory, that the statements made by Kukanjac are particularly pertinent. It was precisely his self-assurance, now that some time has passed, that could be interpreted only as the assessment of a person familiar with the range and depth of the steps that had been taken.

As PULS found out, all the necessary preparations for the subsequent actions were made. The ground was prepared for activating the special scenario for the destabilization of Macedonia and its takeover through some kind of a coup and the creation of a "Yugoslav-oriented" circumstances. Naturally, the reason was that the Army command had been unable to implement its initial plan of blocking the process of independence through pressure, blackmail, and threats. Perhaps the most direct link between the Opera plan and events in Macedonia during the period of the referendum was precisely the drawing up of lists of volunteers and paramilitary armed units that were to operate in the areas of Skopje, Kumanovo, and Kriva Palanka. According to some information this had allegedly already been done.

Hence the information reported by a citizen from Papradiste Village, who turned out to be "disloyal," and reported to Macedonian security that while a tactical reconnaissance exercise was taking place, two KOS officers, as they identified themselves to him, wanted to leave with him for safekeeping two rifles, for "the time has come for the JNA to assume the power." The KOS officers asked that person to find trusted people to whom to issue the weapons. One of the main tasks of those people was to try to set up a "national front" for the "salvation of Yugoslavia," for which purpose emergency headquarters had been set up in the opstinas, and there was even an idea of establishing a "government for the national salvation of Yugoslavia." According to one of our interlocutors, whom we mentioned in the previous issue, the scenario anticipated the creation of a "critical mass" of people in some opstina, to provoke an interethnic dispute and resume the "rebellion outbreak" of the "bare-handed and unarmed people," while the Army, also in accordance with the scenario, was to play a blocking role, defending ethnic groups that "wanted to remain within Yugoslavia." It is of interest to note that the preparations for such a new "popular uprising" were well-known to the then Serbian Minister of Internal Affairs Radmilo Bogdanovic, who in turn had started planning the participation in the initial actions on Macedonian soil by precisely those "fighters" who had participated and had distinguished themselves on the Vukovar battlegrounds. This connection between the intelligence "operative center" in Belgrade and the MVR in Serbia was apparent in the perfect coordination of the actions and impeccable friendship between "bosses" Vasilevic and Gracican and their effort at developing closer contacts with their Macedonian colleagues Mijalkov, Ristovski, and Tumanov, who were immortalized in photographs taken at the Stip tavern near the notorious "Eighth Kilometer."

Naturally, this was not the only attempt at implementing the plan for Macedonia to join the Serbian federation by becoming involved in a war. This is confirmed by the "leaflet operation," the decision for which was made by the higher Opera leadership. At least Tumanov was familiar with this action. On 19 November of last year, a large number of leaflets were dropped on the villages Gorno Konjari, Susica, Sredno Konjari, and Dolno Konjari, in the Skopje area, calling citizens of Albanian nationality to an armed uprising. The leaflets were dropped by a pilot flying a JNA Dornier airplane, who claimed that he was "making aerial surveys in that area."

Since the Army command was, nonetheless, not entirely clear as to the eventual outcome of the game that had been started in Macedonia, and in order to avoid a recurrence of the unpleasant events in Slovenia and Croatia, where the territorial defenses had taken over the military sites virtually unobstructed, in September 1991 Gen. Milutin Kukanjac instructed that preparations for perimeter defense and the mining of military sites be carried out in the barracks of Skopje, Bitola, Kumanovo, and Strumica. The order issued by Kukanjac, who subsequently left to assume a new position, was "inherited" by Gen. Nikola Uzelac, and carried it out despite the open and fierce opposition of the then chief of General Staff of the Third Army District, Gen. Mitre Arsovski, and Col. Jovo Andreovski, chief of the engineering section of the Third Military District, who pointed out the unseemly nature of this action and unsuccessfully asked that it be terminated.

Actually, the Macedonian officers were no longer being consulted about anything. The mining of the approaches to the airfield and of the Petrovac airfield itself was carried out according to a special order issued by the anti-aircraft defense command in Belgrade, for which reason matters become somewhat clearer now when we recall the arrogant and threatening statement made on television by Col. Branimir Dasic, the garrison commander, who threatened that the airfield would be blown up. We also recall the statement by Slobodan Svetkovic, who openly threatened in Strumica that that city would be blown up. The seriousness of the intention should not be questioned by anyone, particularly not after the airfield in Bikhac was blown up, as well as the large number of destroyed cities in Croatia and in Bosnia-Herzegovina.

As we mentioned, Gen. Kukanjac feared that the Macedonian territorial defense would cause him the same unpleasantness as those of Slovenia and Croatia. Actually, according to our information, at least as far as the command of the Macedonian territorial defense was concerned, in general there was no such threat, for the weapons were in his hands, the more so since Ilija Ercegovic was the commander of the security agency of the Macedonian territorial defense staff. This was quite "strange," for in what were then Yugoslav republics such a job was invariably given to "home" people. It was only in Macedonia that a Montenegrin was in charge of security! Furthermore, Ercegovic was also the chief of

security of the Third Army District. As such, and holding equal rank, he attended the meetings of the senior officers of the security organs of the Army, along with Gen. Aleksandar Vasilevic. All of our interlocutors stressed the correct and open attitude of Vasilevic, who had said that a thorny and unknown future was awaiting both those who will leave with the JNA and those who will decide to stay, that following the reorganization of the Yugoslav Army he did not know whether there would be a position for him, and that for as long as he would remain the chief of the security administration his deputy would be a Macedonian. "The most difficult decision will face Macedonian senior officers as to whether to leave or stay behind, as well as those with mixed marriages." Still, Vasilevic had recommended to them to stay behind and to share the fate of their families, and said that he could not call traitors those who would decide to remain. At that meeting only one Macedonian officer openly stated that he had no intention of following the JNA. Ercegovic thanked Vasilevic for his cooperation and said that he was pleased that he would retire as a member of the JNA, for he was unwilling to collect a pension "from some kind of Macedonian Army."

We also already mentioned that Ercegovic, like his colleague Ristovski, successfully implemented the assignments of their superiors in Belgrade and, at least according to our information, that they were familiar with the mood in Macedonia.

PULS was able to establish that all involved security authorities, including the territorial defense, had their own separate and independent network of operatives and collaborators. Hence, following the orders issued by the command, such as the one issued on 5 October 1991, they were observing what was happening in the territorial defense staffs and, thus, along with watching "Macedonian nationalists," their own colleagues, and officers who had remained with the Macedonian state, prevented the hiding of soldiers and officers who had deserted from the Croatian battlefields. At the same time, the proclaimed mobilization yielded exceptionally poor results, and they organized a real hunt for "deserters" and for those who were urging draftees not to go into the barracks, for they would be sent to fight a war that was not theirs. At that time the public had been informed of some such actions, such as those in Kavadarci, Negotino, and Kriva Palanka. A reception center had even been organized in Krivolak and Stip for those clumsy enough to let themselves be "caught."

[Box, p 10]

The Macedonian "Base"

In addition to Milutin Kukanjac, clearly the idea that the JNA had no intention of abandoning Macedonia and that it considered its own departure temporary was shared by a number of officers in the present JA [Yugoslav Army], who had already secured housing on Macedonian territory. As of last March, some of them had not

left Macedonian territory at all. Permanent residents of Skopje have included two colonels, heads of the intelligence service of the Third Military District, currently stationed in Nis (Veljo Kuzmanovic and Slobodan Milosevic). Maj. Gen. Slobodan Gjorjevic, former commander of the armored brigade in Skopje, and currently commander of the corps in Leskovac, spent his annual leave in Skopje last June, after participating in the military operations in Croatia. Capt. Ranko Ninkovic, member of the counterintelligence group that operated in Skopje, and who participated in the activities and fights in Bosnia-Herzegovina, came to "relax" in Skopje. Such was the case of Col. Dusan Pavkovic, formerly chief of the financial service of the Third Army District, who caused losses to Macedonia as a result of a series of financial transactions related to Army salaries, but who built for himself a cottage in Mavrovo and acquired business property in the center of Skopje.

Although partial, the list of such visitors to Skopje and Macedonia is presented here as a matter of interest, for in any country that takes itself seriously such "comings and goings" of officers belonging to other armed forces and, particularly, of professional intelligence agents, would quickly have been either subject to sanctions or prohibited.

[Box, p 11]

Who Is Individual No. 28?

Dear Mrs. Velinovska:

I find myself listed in your report published in the latest PULS issue of 29 October, entitled "A Fox in an Opera." The paragraph in which the personnel of the sabotage-terrorist unit of the JNA are listed, set up in the Republic of Macedonia, mentions, under No. 28, "N. Nestor, senior platoon commander, withdrew from his formation, employed in the ARM [Army of the Republic of Macedonia]." There are certain coincidences in this case, for my full name is Nestor Stefanovski, senior platoon commander first class, and member of the Macedonian Armed Forces. By the end of last year, when that sabotage-terrorist unit was formed, I was asked to volunteer for it. However, this was against my views on the situation and my principles, and I categorically rejected the offer regardless of the punishment to which I could have been subjected. That very fact proves that I did not lead that group, having never been one of its members.

I personally guarantee this fact, and so do a large number of my colleagues in the Macedonian Army, who can confirm it.

I know that newsmen do not reveal the sources of their information. However, in order to provide objective information, your source should have provided the full first and last name of the individual under No. 28. This would avoid the mystery as to who is that individual, and the individual could defend himself with facts backed by statements made by witnesses to recent

events. I would like to mention yet once again that I have not been a member of that group, for which very reason I could not have left it.

Mrs. Velinovska, I believe you to be an objective journalist and that you will be able to set this doubt straight.

Respectfully yours, Nestor Stefanovski, 24/1-6 Ogjan Prica Street, Skopje

[Box, p 12]

The Truth About the Special Unit

Dear editors:

The article in your weekly presented many truths on the situation of Macedonian officers in the JNA and, particularly, the Petrovac garrison.

As to the security service, we believe that it should have been described in greater detail that a large number of security officers (Macedonians) were on the side of the patriotic officers (Macedonians) who told us the truth, took up our defense, and that we responsibly carried out our tasks and followed the development of such a difficult and unfamiliar situation. That is why we believe that as honest and patriotic officers, such people must find their proper place in the public information media, for they carried out their assignment very conscientiously and, if discovered, would have been the first to be arrested and severely punished. Let me mention a single fact: Based on the assignments issued to us, we removed soldiers from the various units. We concealed ordnance and, in some specific cases, Macedonian officers hid soldiers and escaped officers in various homes or in other areas, thus preventing their capture.

In the interest of the truth we would like to confirm some of the conclusions in your report, as follows: The truth is that a special unit had been set up which, last October, included a smaller number of officers (six to 10), whose task was to defend the Vizbegovo site and protect officers and their families. These were the only people wearing camouflage uniforms and who were specially trained and acting separately from us, for we had no access to such training. They were directly commanded by an officer who, in front of several officers, said that "They are so trained that, should there be an attack against an officer or a military target, they would kidnap at least one minister from the government or the chairman of parliament, or perhaps even a police patrol." Subsequently, that group was increased by 30 people, all of whom were members of the rocket units. According to the statements of some officers, a similar but smaller group was set up by VOJIN [unit for aerial observation, detection, and information]. Many officers currently serving in the Macedonian Armed Forces could confirm such data in the interests of the truth.

(Names and addresses known to the editors.)

Situation of Ethnic Macedonians in Albania

93BA0137A Skopje NOVA MAKEDONIJA
in Macedonian 26 Oct 92 p 6

[Report by Dimitar Culev: "Let Us Compensate for the Loss"]

[Text] *In Albania the concept of democracy has still not been fully defined in the case of the Macedonian minority. Two sets of rules apply for minorities. The Bratstvo Society expects help from the Macedonian state.*

To the Macedonians in Albania, the Bratstvo organization is a unifying factor which, based on the still-extant national awareness of some 100,000 Macedonians, is trying to do something for the Macedonian cause in that country despite half a century of absolute isolation and perfidious suppression of Macedonianism among the people living on the other side of the border. This task, which is unquestionably tremendous, was assumed by a group of enthusiasts among the Bratstvo leadership. So far they have been acting quite shyly and cautiously, considering that the concept of democracy in Albania, all propaganda notwithstanding, has still not been fully defined in the case of the Macedonian minority.

"We had tremendous problems with registering the Bratstvo Society. We waited for six entire months. Finally, we registered last April, although we had already submitted all the necessary documents as required. However, this has already been accomplished," we were told by Esad Musliu, Bratstvo's secretary. The same things used to happen in "olden times," the moment someone would declare himself to be Macedonian and apply for any kind of document. In a refined way, with endless red tape, the people would be given to understand that the best thing they could do was to reconsider their national awareness and how much peaceful coexistence they wanted. Some called it denationalization, and it was very heavily emphasized during the absolutist regime. "Nonetheless," Musliu said, "Bratstvo has gone forth and done everything possible to speak for the rights of Macedonians. For the time being, however, its possibilities are very modest." According to Musliu, the situation would be entirely different if Macedonians in Albania could enjoy roughly the same rights enjoyed by Albanians in Macedonia: television and radio broadcasts, their own newspapers, and their own schools with their own teachers.

"About 10 days ago we were able to send our first students to Macedonia, nine girls and one boy, to enroll at the university," said Vita Kojas, who has a master's degree in economics from Tirana University and who has been waiting for more than one year for permission from the Macedonian authorities to specialize in tourism marketing at the Tourism Department in Ohrid. According to her, sending the 10 students constitutes a tremendous success for Bratstvo, particularly when we know that four years hence Macedonians in Golobrd, Prespa, Elbasan, or Tirana will acquire their first teachers, physicians, and engineers, with whom they will

be able to speak in pure Macedonian. "However," Vita says, "this is still too little. It may seem immodest, but we would like to catch up on all that time we lost in half a century of darkness and total isolation from Macedonia. Naturally, in this case we are asking the help of the Macedonian Government...."

During our conversation in the Bratstvo premises, which covers all of about 10 square meters, with dilapidated furniture and no telephone, we found out that other than goodwill, as an organization, Bratstvo has nothing, not even a typewriter.

We were told by Gligor Nikola, professor of mathematics and president of the society, that virtually any contact with Macedonia is a problem, since Bratstvo is financed by its members, and entry visas to Macedonia are very expensive. "Clearly," Nikola says, "we need the support of Macedonia. For example, the activists in the Greek societies are generously financed by the Greek authorities, for which reason, naturally, they are in a position to spread their influence."

According to Kimet Fetakhu, professor at the Mining Department in Tirana, in charge of Bratstvo's "foreign" issues, the purpose of the society is to rally all Macedonians who live in Albania, regardless of their religion.

"It is tragic," Fetakhu says, "to remember that some 50, 100, or even more years ago, our people from Golobrd, for instance, could freely communicate with Debar, Struga, and Ohrid, where they went shopping. Today Golobrd is the most neglected area in Albania. Not even one meter of highway has been asphalted, and the 27,000 Macedonians who live in it are totally neglected...."

It is expected that the democratic processes in Albania will enable the Macedonians to acquire their human rights, political as well as economic. "In any case," Fetakhu says, "this will be to the extent to which the current government intends to honor at least part of its promises before the March elections. Regrettably, it turns out that the leading party has never been anything more than an anticommunist coalition, prepared to destroy anything that it conceives as being totalitarian or communist... Nevertheless, it is unprepared, on the one hand, to promote the concept of the Balkans as a free economic zone, which would be good for us, while, on the other, constantly, with a large dose of nationalism and chauvinism, it speaks about some kind of rights for Albanians in Macedonia, raising unrealistic conditions, and avoiding the establishment of good-neighborly relations. Like his close supporters, Sali Berisha ignores the problem of minorities in Albania, and applies double standards to the issue of minorities in Albania and Albanian minorities in other countries."

In any case, Bratstvo is facing the difficult task of acquiring through democratic means the rights owed to the Macedonian minority, and it is working for the strengthening of good-neighborly relations between the two countries, Fetakhu concluded. Naturally, the help

provided by the Republic of Macedonia by opening a Macedonian club in Tirana and the publication of a newspaper in Macedonian would be tremendously beneficial.

Representation of Turkish Minority in Macedonia

93BA0097A Skopje PULS in Macedonian 15 Oct 92
pp 12-13

[Article by Mirche Tomovski: "The Voice of the Patient People"]

[Text] *Does the more frequent political involvement of the Democratic Party of Turks [DPT] indicate that nationalism is growing in this area, or is it a matter of a predicted reaction among the "most constructive" ethnic group in Macedonia?*

The Macedonian public, increasingly sensitive to political events, recently watched the reaction of the Democratic Party of Turks with pronounced interest and even astonishment. The reports of this party concerning the crosses on the clock towers in Bitola and in Prilep, the demands of the Muslim Macedonian parents in individual villages for their children to be introduced to the Turkish language in the primary grades, the problems of the education of the Turkish nationality and, more broadly, its position in the Macedonian political environment, have become prominent both with respect to intonation and with respect to content. The revolution in party commitment also is felt in the pointed nature of the commentaries on these problems, as well as in the proposals for their solution, which is, in general, "already seen" among the parties of the so-called Macedonian or Albanian national blocs.

Why is the traditional restraint and humility, for which the Turkish ethnic group in our area is known, disappearing slowly but surely? Is national legitimization becoming a mark of recognition and "salvation" from the current problems even in this political milieu? Or does someone want to create a problem where there is none by manipulating the people? Has the "devil" entered here?

Often requesting answers in these times of absurdity is an irrational matter. Therefore, seeking the facts is the surest formula. In this context, the professional journalist's memory has noted some of the events from the Extraordinary Congress of the Democratic Union of Turks, when the movement was abandoned and a party was formed. Of around 100,000 Turks in Macedonia, 23,000 are members. It is promoted as a civilian party of the modern type and with a European orientation (both in the political and economic spheres), but also with explicit references to Islam and to Turkey, through the adoption of certain principles of Ataturk's political philosophy. At the Congress there was the isolated event of the delegate from Bitola who, pedantically listing all the "evils from the Bolshevik period toward the Turks in Macedonia," evaluated the program platform of the future party as "nationalistic with possible negative

consequences." His appearance was isolated and dialogue was not even allowed, although there were requests for it. However, both the Congress and the party program specified numerous problems of significance for the Turkish nationality in Macedonia—political, economic, educational, and cultural. Because of the election system, it was clear that it is not possible for any one of the candidates for deputy from the Turkish nationality to enter the parliament, and in the two governments there has not been one minister (Mr. Ismail Djumer, however, a Turk by nationality, is in the government as a member of the SDSM [Social Democratic Alliance of Macedonia]), nor assistant in the government agencies, in the bodies of the parliament, in the leading economic teams....

"Our reaction is provoked," says Mr. Erdogan Sarach, an electrical engineer from Gostivar and now professional president of this party. "And, both as the Democratic Union and as the Democratic Party we were the most constructive element in Macedonia (as examples he cites the referendum, the census, the support for the independent and sovereign position of Macedonia, its international recognition under this name, condemnation of so-called Ilirida...), always determined for peace, coexistence, mutual respect, and dialogue. We were prepared for political dialogue about all the injustices and problems of the Turks in Macedonia. However, it must be said that no official policy, no authority, no system has listened to the problems. The change in the intonation in our reports is the decision to become a respective political entity in Macedonia."

"The greatest injustice is the deportation of Turks from Macedonia and keeping them at a poorly educated level," says Sarach. "Now, the most urgent problem is education. In eastern Macedonia, in spite of our protests, the parallel schools from the fifth grade are closed and the government is deaf to opening parallel schools in the Turkish language. No one in these border regions cares about the Turks...."

The journalist Mr. Husein Jusuf, from the Turkish language editorial board of Macedonian television, shares this opinion to a certain degree: "The escalation of the problem of education of the population from Devar, Kichevo, and Tetovo Districts is fruit of a fatal mistake of the government in not respecting the Constitution. It simply should have shown greater consciousness of the special needs of part of its population beginning with this year."

What "right" does the DPT then have to interfere in the schooling of the children of Macedonian Muslims? Sarach thinks that these are constitutionally based demands. "The parents of these children feel themselves to be Turks, and we stand behind them. We support everyone who wants to learn in his mother tongue. National identification is a personal and private matter of the individual, and we do not intrude into that. Everyone has to be left to determine himself how he feels."

However, the fact that these children do not know the Turkish language and that they have been thrown into politics Sarach thinks is a "consequence of the long-term relations of the state. The Turkish language is the language of their grandfathers and great-grandfathers. Look, I know Macedonian perfectly, but unfortunately I know Turkish very poorly! The Turkish language is not respected and is considered to be a foreign language, but it is the language of the most loyal part of the population of this area. If it is not respected then there will not be coexistence. All this is a consequence of the pressure and injustices against the Turks, whether they are called Albanian or Macedonian. Today the most respected Turkish families in Gostivar present themselves as Albanians! The children should not be an object of political games. It is not a custom of the Turks to use the children for such purposes. The television has made use of them."

Djuler Selim from "Birlik" has his own point of view. With the onset of democracy, the Turks, known as peaceful, cultivated, and disciplined citizens who in the half-century of single-mindedness found the way out of every difficulty to be emigration, all at once have begun to seek their place under the sun. The motive—seeking the introduction of instruction in the Turkish language—is a sublimation of the existential question of the Turks' education in their mother tongue. What aggravates relations at the present time and raises tension to a heated level actually is not the constitutionally guaranteed right to education in the mother tongue, but the national affiliation of part of the citizens in western Macedonia. The fact is that the majority of them declared themselves to be Turks in the census. Selim insisted that the DPT for two years has not been able to influence the conscience of the people.

To the question of how he would comment on the thinking that this is an aspect of a birth of a type of Turkish nationalism, the president of the DPT, Erdogan Sarach, is precise: "I do not agree with these ideas. The Turks never have been nationalists. Hatred is not characteristic of them—it is our greatest enemy. Respecting the person and the allegiances of the other nationalities is in the citizens' mentality of the Turks. However, it is natural to prefer one's own people to others. There is a higher level of Turkish national awareness present, to the extent that there is more a feeling that we are not valued as equal citizens of Macedonia."

Some political circles and the public now believe that the Turks have retreated from their original and autochthonous position and behavior under the influence of the parties of the Albanian nationality, the PDP [Party for National Prosperity] and NDP [National Democratic Party], of Islam, and of Turkey as a country that was among the first to come to the assistance of Macedonia. G. Sarach does not accept such ideas and considers them to be invalid. "We do not need sympathizers. We are capable of conducting our policy ourselves. Although we have certain points of contact with the PDP and NDP, we do not have any collaboration with them nor are we influenced by them. With respect to Turkey, although we

are part of the Turkish nation, its influence cannot be imputed. We were born in Macedonia and we will solve the problems here. Macedonia is our common fatherland and we are interested in its sovereignty, and in this context the policy of President Gligorov has our support. We want the Turks not to be deported and to be equal citizens."

The journalist Husein Jusuf, in analyzing the entire problem, points out the sensitivity of the international relations and of the danger of potential manipulations with them: "My allusion will sound paradoxical, but I am afraid that the parties in the 'conflict,' probably the majority of them, quite unconsciously and collectively are manipulated by certain extremist political forces in Macedonia and in Turkey! That is to say, I doubt that in the entire matter there is an intention to have a shadow cast on the friendly relations between Turkey and Macedonia, which are observing an uphill line that the citizens in the two countries want."

In explaining his own position concerning the influence of Islam on party politics, President Sarach stated: "We belong to Islam and serve it in accordance with the Koran. (We had the opportunity to meet Mr. Sarach as he left from noon prayers in one of the mosques in the old Skopje marketplace.) The Koran commands respect for everyone, irrespective of religious or national affiliation. The Islamic faith has supported us all these years."

To the question of how he sees the future, Mr. Sarach sends the following message: "I never want to have happen what is happening in Bosnia. That would destroy everything and set us back a hundred years. Therefore we have to avoid this stage of hatred from which there is no turning back and the consequences of which are tragic."

German Consul in Macedonia Interviewed

93BA0072A Skopje PULS in Macedonian 8 Oct 92
pp 17-19

[Interview with German Consul General Hans Lothar Stepan by Emil Krsteski and Gotse Georgievski; place and date not given: "Hans Lothar Stepan: 'Slavic Blood Flows in My Veins'"]

[Excerpts] *The German consulate in Skopje has been in operation for two months already, and Hans Lothar Stepan (58), born in East Prussia, in the vicinity of Kaliningrad, an inhabitant of the former East Germany, is German Consul General in the Republic of Macedonia. Up to now he worked in the embassies, that is in the consulates of the Democratic Republic of Germany in Guinea and in Qatar, and before coming to the Republic of Macedonia was consul in Chad. Hans Lothar Stepan, although he has a doctorate in economics, never has dealt with economic problems professionally. As a career diplomat, he was working in the Ministry of Foreign Affairs during the time of Willy Brandt, and is well-acquainted with the "school" of one of the best ministers of foreign affairs Germany has had up to now, recognized and valued in Europe and the world, Hans Dietrich Genscher,*

who followed Klaus Kinckel. In this interview for PULS Lothar Stepan discusses the comprehensive relations between Germany and the Republic of the Macedonia, the present and future of the Balkans, and the relations of the European Community, Greece, the Republic of Macedonia...

[PULS] After serving as a diplomat in Africa and in the Arabian peninsula, you are now in Europe. Mr. Stepan, in view of the overall economic and political situation in our republic, after your two months in Skopje do you really feel that you are in Europe?

[Stepan] Surely no one will accuse me of having abandoned Africa because, with my arrival here, actually I am returning home to my continent, to Europe. I view Skopje as a European city, a city in which many embassies and consulates will be located tomorrow, a city that will pulse with all of the characteristics of the main city of a country. As for me, it will not hinder me much that Skopje does not have many tennis courts, golf courses, swimming pools, and the like. I am a modest man with a heart condition who needs peace and only a little area to practice yoga.

[PULS] You are a doctor of science, and originally you are from East Germany.

[Stepan] Yes. I am a doctor of economics, but because of my involvement in diplomacy I have not had time to devote myself more seriously to the science, so that the only thing you can read of mine is my doctoral dissertation. The blood that flows in my veins is half Slavic. I was born in East Prussia, in the vicinity of Kaliningrad, East Germany. When the war was over I was 11 years old, but I remember many brutal acts and crimes that were committed during this period and subsequently. I am terrified of the methods of fascism, but also of communism. Understand me. I have a truly emotional feeling as a man who has had the opportunity to explain to children that they are free of such a terrible bondage.

[PULS] You are now in a country that is not widely internationally recognized, for example by the European Community, and not by the country from which you come. From a political aspect, what does the opening of the German consulate in Skopje actually mean?

[Stepan] The European Community, according to the report of the Badenterov Commission, obtained a relevant opinion that Macedonia fulfills all conditions for international recognition. However, then what happened, happened. The European Community obtained the information that Greece was prepared to recognize Macedonia, that it was developing good relations with it in every regard, in peace and collaboration, under the condition that it change its name. This created a problem, which, in my opinion, belongs to the past.

My most recent impressions are that the European Community is attempting to find a solution by which the two countries will be satisfied in one way. Simply, I think that the European Community has a great desire and

interest to include the Republic of Macedonia in the family of European nations. In this sense, Germany, by opening the consulate, is taking a step forward, and I hope that one day, perhaps not so remote, this consulate will grow into an embassy—more precisely that your republic will be recognized by Germany.

[PULS] How much and what influence does Germany have on the European Community in connection with the "Macedonian question," and why didn't your country recognize Macedonia in a package with Slovenia and Croatia?

[Stepan] The position of Germany in the European Community, in my opinion, is very complicated and responsible. Germany recognized Slovenia and Croatia, but I assure you this was with basic consultation and a decision of the Council of Europe. I know that numerous criticisms were directed toward Germany because it urged members of the Council of Europe to recognize these two former Yugoslav republics more quickly. However, I am surprised how it can be so easy to forget, for example France and Great Britain, of whom I would not say that they can so easily be "convinced" of something if they do not believe in it. This means that recognition of Slovenia and Croatia is first of all a collective act of the European Community.

I am convinced that Macedonia will make efforts to come to a solution in the quarrel with Greece, which will create excellent prerequisites for recognition of the country on the part of the European Community. Sooner or later a European Community that many countries will wish to join will be created. Within such a framework, problems of this nature, which these two countries (Greece and Macedonia) now have, will not be so significant. In such a community in which all countries will be members, the formal borders will not have the role that they currently have. Of course, this will not proceed very easily or rapidly. We are conscious of all of the conditions of the Balkans, and we are conscious of the origin of these problems and contradictions, including the evaluation that this is a region with a high degree of danger. This accounts for the interest of the European Community in solving the conflict between Macedonia and Greece in the most painless way possible. In fact, we are conscious that the true causes of potential military conflicts are not hidden in direct and transparent motives. As a matter of fact, the murder of Ferdinand in Sarajevo was not a cause of the beginning of World War I.

[PULS] The policy that our leaders have been conducting up to now in general has not provided a reason for any economic or political isolation, nor again is it of an irritating or conflicting nature. What is your evaluation in connection with this?

[Stepan] I can give an evaluation that the policy of Macedonia is highly rated. It is a modern, peace-loving policy directed toward good-neighborly relations. Actually, the very recognition of Macedonia on the part of

certain countries, especially on the part of the Russian Confederation, confirms this. The cabinet of Mr. Branko Tsvenkovski may be considered to be an excellent move that achieves a good balance of political forces between the two largest ethnic groups in the country. I am convinced that this policy will correspond with membership in the European Community, of course, not as an imperative, since the European Community even today has very good relations with European countries that are not members (Austria, Sweden, Switzerland...). I am convinced that it will want to do this also with the Republic of Macedonia.

[PULS] For the Republic of Macedonia recognition on the part of the European Community would mean a green light for credits and loans, as well as a certain guarantee for investment and depositing of foreign capital. And at this moment Macedonia really needs financial support. The social tensions are at a very high level.

[Stepan] Of course, the economy is an extraordinarily significant factor, and not only for Macedonia. Actually this is a very important condition for the existence of any country. The Council of Europe is deeply aware of the economic problems of the Republic of Macedonia and therefore is working on a specific instrumentarium by which it will be possible to help it in a very real way.

I can even emphasize specifically that, not only the Macedonian Government, but also the people in Macedonia are displaying enormous patience, especially when we consider the problems that they are having with oil. All these are arguments that have great significance in making the decisions and conducting the policy of the European Community towards Macedonia. We are aware that there is not much time to wait and that the limit of patience may easily be passed. However, we have to wait a little longer to be able to formulate the political alternatives well.

The German Government is making great efforts in the direction of eliminating moves that do not correspond with the resolution of the United Nations in connection with the embargo against the FRY [Federal Republic of Yugoslavia]. Within this framework it is necessary to bear in mind that Macedonia must not feel the consequences of the blockade against Serbia and Montenegro. Make a little effort to convince yourself that we are fully aware of this problem, but we cannot dictate to any country what it has to do. I am convinced that the government in Athens soon will see that it is necessary to act within the framework of the differentiation of Macedonia and Serbia. I would be very surprised if this was not done. I can only hope that the rational approach to solving the problems will prevail in the two countries.

Serbia, for example, still has not recognized Macedonia. I have to acknowledge that I would feel very gloomy if I were a Macedonian. However, they, likewise, have not acknowledged either Croatia or Bosnia. The prime minister of the FRY, Milan Panic, said that he is ready to do it, even to recognize Macedonia. And he emphasized this

in many European and world cities. However, it was not done. And I agree that it is a very intimidating fact. This only can mean that Serbia thinks that the situation has not changed and that the position of Macedonia does not differ from the times when the Yugoslav Federation existed.

[PULS] Can Macedonia expect economic support from Germany?

[Stepan] Germany is ready to give all assistance to Macedonia, to offer the broadest collaboration, especially in an economic sense. And during the short time I have been here I have continued to work toward this. There are companies in Macedonia that traditionally have had a good and long economic collaboration with German companies. I acknowledge that the bureaucratic rules, especially concerning obtaining visas, prevent the normal communication of people and goods, which is a result of the situation in the Balkan region.

[PULS] At what level and what political institution in Germany is responsible for making the decision to recognize some newly created state? For example, is it necessary to discuss the recognition of the Republic of Macedonia in the parliament, or does the chancellor or the Ministry of Foreign Affairs make this decision?

[Stepan] The parliament and the cabinet of the chancellor have to be included in making this decision. Perhaps the parliament would not be included at all if things were clearer.

[PULS] Is it possible for Germany to recognize the Republic of Macedonia if the United States does after the presidential election, as has been discussed frequently in the U.S. press, or will it wait for the decision of the European Community?

[Stepan] The decision of the United States is an extremely difficult one. It is hard to imagine that Germany will be able to make a decision concerning this matter independently, as I have already mentioned. Likewise, I think that, in general, it would not be good to do this separately. Not only for political reasons, but, first of all, for economic ones, since separate recognition will not enable Macedonia to participate in financial institutions. For these reasons, I would like to reiterate most cordially that, even though you are waiting a little longer for broader recognition of Macedonia, the collective decision will have significantly more favorable results for Macedonia in this way.

[PULS] Are you in contact with your colleagues in Slovenia, Croatia, Bulgaria, and Greece, as well as with the Turkish and Greek consuls in Skopje?

[Stepan] Yes, yes. This is customary, but I have to acknowledge that at this moment these contacts are fairly limited, for the simple reason that at this moment we have a lot of work here, in Skopje. I hope that in the future, at least with respect to my colleagues in the

former Yugoslav republics, these contacts will be more intensive, and I hope more useful.

With respect to my colleague in Athens, for the time being these communications are of a technical nature. Perhaps later on I will be able to say something more. I am free to report to you that when I asked the German ambassador in Tirana, who is a very close friend of mine, why Albania has not yet recognized the Republic of Macedonia, he told me that he had also posed this question to the political leadership in Tirana, emphasizing the many common interests of the two countries and their peaceful good-neighborly relations.

The contacts that I have with the official representatives of the other countries in Skopje are developing within the framework of customary diplomatic practice, which, of course, not only is my duty, but also my desire. For example, I have already had a meeting with the consul of the Republic of Turkey, with my Greek colleagues from their consulate in Skopje, as well as with the director of the U.S. Information Center. If you are interested in the content of my conversations with my Greek colleagues, with respect to their attitude concerning the problems of the recognition of the Republic of Macedonia, I would suggest that you ask them. I have already expressed my, more precisely, the German, position concerning this question. However, I can tell you that Greece wishes to live in good relations with Macedonia and to recognize the country.

[PULS] Do you have a lot of work concerning issuing visas to citizens of our republic, and are there those who are seeking political exile in Germany?

[Stepan] Yes, I have to state that our service has been very busy with this problem even during the short period that I have been here. However, obviously this is a matter of two diametrically opposite things. Every citizen of the Republic of Macedonia who has a good reason to go to Germany will obtain a visa without problems. However, if he wants a visa for an adventure trip or for entertainment, that is not possible, simply because it is not the time for entertainment. With respect to seeking political exile, I am sorry, but I have to say that this does not correspond with the policy that the political leadership of your republic is conducting, and I do not see any greater reason for citizens of Macedonia to opt for this decision. Macedonia is a free and democratic country, and we are convinced that it is possible to work and earn a living here and to live relatively well.

Macedonian Opposition Leaders Interviewed

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[Interview with Ljupcho Georgievski, VMRO-DPMNE, Djordji Marjanovic, Democracy League, and Ante Popovski, MAAK, by Branko Geroski; place and date not given: "Tuning Up the Orchestra"]

[Text] Interview with Ljupcho Georgievski (VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]), Djordji Marjanovic (Democracy League), and Ante Popovski (MAAK [Movement for All-Macedonian Action]), on the prospects of the Macedonian opposition.

The formation of a broader coalition in the area of executive authority, created from parties with a relatively developed infrastructure and solid financial base, forced the only parliamentary party and the other extraparlimentary parties to reexamine their former positions and to consider new (early) parliamentary elections and a potential united approach. Precisely these issues were the subject of our interview with Ljupcho Georgievski, the leader of VMRO-DPMNE, Dr. Djordji Marjanovic, the leader of the Democracy League, and Ante Popovski, the leader of the Movement for All-Macedonian Action.

An Unnatural Coalition

[Geroski] With the creation of the government coalition, how do you now define or possibly redefine your status as opposition parties? What does it mean in practice to be in opposition today?

[Georgievski] Enough has been said already about the bad aspects of this coalition. In the meantime the positive side is that Macedonia finally has acquired a clear, clean, defined picture of the structure in the Macedonian Assembly. More precisely, who are those parties who participate and who do not participate in the division of power, who rules, and who is in opposition. In this sense we feel even a certain amount of relief. On the one hand this means that already we are learning the true principles of parliamentary democracy, and on the other we hope that now those who wish to criticize all that is not being done in this country will direct their criticism to the proper address, even that of the opposition, if it happens to be behaving extremely destructively.

In general, VMRO-DPMNE will create a status with elements of a classic European opposition. The Assembly has an obligation to produce a number of systemic laws, and I think that through our talents, ideas, and initiatives, the true image of our party will be seen. In addition to this, broad areas now are open for our party organization to act to consolidate. Of course, there is no question of deconsolidation of a serious nature, but the fact is that the position of the expert government, which was in practice everyone's and no one's, the position of the president of the Republic, the creation of a cult of personality, and some other features produced a kind of confusion between the members and sympathizers of VMRO-DPMNE, and even polarization of thinking, which some were in a hurry to call factions.

[Marjanovic] In "normal" societies, with a more or less clear social stratification, membership in a social layer determines the political attitude of the citizen: Each person votes for the party that defends his economic interests. Or at least in 99 percent of the cases it is so. The situation in Macedonia with a 45-year rule of one

totalitarian structure is completely abnormal: We inherited only two political layers. On the one hand there is the *rayah*, and on the other the nomenclature. In order not to be misunderstood let me say that I understand the term "*rayah*" to mean the politically disfranchised, politically voiceless citizens. Again, I understand the term "nomenclature" to mean the morally and politically capable, the trustworthy, the "*cadres*."

The opposition parties are regrouping primarily from the ranks of the *rayah*, the ruling coalition primarily from the nomenclature. The restructured, renamed communists today want to perpetuate their dominant position, being converted into capitalists, through unprecedented pillaging of public property. The Democratic League is fighting against the disfranchisement of the citizens, but also against this recent pillaging, and this makes it an irreconcilable political opponent of the authorities.

[Popovski] The formation of the new governing coalition did not provoke significant changes in our position in MAAK, and I do not say that so much as to assure you that we are consistent in a program sense because of the fact that those who formed this coalition were conscious that every action is a physical law. That means a response follows, doesn't it? We consider this coalition to be unnatural and we believe that it will not last long. A natural coalition would be an association of parties with similar, if not identical, thinking. For example, a natural coalition would be between VMRO-DPMNE and PDP-NDP [Party for Democratic Prosperity-National Democratic Party]. At this point in practice it is a matter of a coalition formed for the needs of power, for preserving it; in other words, for a practical purpose. I think that the processes of grouping and regrouping the political forces in Macedonia have been accelerated with the formation of this coalition.

In addition to this, the parliament, and it is already banal to say it, is not performing its constitutional function. It is more and more being converted into an arena of political marketing of the parties that fill it. It is behaving primitively and anticonstitutionally because systemic laws are not being passed. The laws which are passed are changed the next day, the interest of the people is rapidly transformed into the personal interest of the people who sit in this parliament, and so forth. I say: In order to be better you really have to make a change. The parliament shows that it is not for the interests of Macedonia either on the historical or on the daily political level, and it is not in a position to defend the interests of this country when it is in an exceptionally complex situation. Not just, according to our evaluations, because of the personnel requirements of the crew in this parliament, but because of the blockade that is present. We have to expect that this coalition will disintegrate naturally at the first law, at the first political test.

Elections—For or Against?

[Geroski] The idea of new early parliamentary elections has been brought up again recently. We say again

because your parties up to now have discussed it in a fair number of meetings. What is your attitude now: Are you for or against early elections?

[Georgievski] The idea of early elections began with our party. Let me remind you: Around eight months ago, VMRO-DPMNE openly asked for the resignation of the government leadership, the formation of a government of national salvation, and new elections. Then, new reports from very different local communities, soldiers unions, hunting societies, and the like, who judged us to be the greatest enemies of the Macedonian Government, were read on Macedonian television for a whole month. However, we have never retreated from this idea. Part of this speculation is connected with what happened in the parliament with respect to the initiative of the SDSM [Social Democratic Alliance of Macedonia]. However, I can tell you with certainty that half of the deputies of VMRO-DPMNE then voted for this initiative, and also that we have insisted on specific preconditions. And now we insist on the same: passage of a new election law, regulation of the matter of financing the parties, in particular control of the election places (in the previous elections this was left to retired officers, policemen, and members of committees...) the relation with the public information media, and so forth. In a word, we will make an effort to have complete defense against falsifications.

This means elections—yes. In this sense we support the initiative of MAAK. I do not doubt that in the new elections VMRO-DPMNE, perhaps with other personnel, will capture at least that which it now has. However, this is not our goal. The goal is for us to obtain more, and besides that to eliminate from the parliament certain parties which we believe to be quite incidental here. And to include others with whom we would be able to form a fundamental coalition.

[Marjanovic] The Democracy League wanted new (early) elections a long time ago. We want new elections not only because in the past elections we fared catastrophically, but first of all because it is perceived that the forces in the Assembly, thanks to the obvious weaknesses of the majority election model, are distributed quite dysfunctionally. Our assembly resembles a sick man who is not dying but at the same time cannot truly live and work. The "healthy" leftist forces are against (Macedonian) nationalism "in principle," but did not stop them from helping in the return to power, throwing themselves into the embraces of the Albanian National Socialists. This has created a coalition which represents a true political unnatural prostitution. A useless relationship from which nothing good can come.

[Popovski] I will answer clearly at the outset: early elections—yes! I think that there is no basis for the attitude and assumptions which exist among certain political parties that in practice the initiative for early elections will come down to the same time that is required for normal evolution. Of course, this thesis supports them in these conditions that exist. On the other hand, it is necessary to exert continuous daily

pressure, a course of engagement of all forces in order to achieve the required changes in Macedonia.

With respect to the election model, I can say the following: It is certain that there has to be a new election law. However, it is equally dangerous to push the thesis that it is necessary to go with the majority model at any price and to underestimate the thesis of a proportional election model. However, there is one fortunate circumstance in all this, and that is reducing the absurd situation where we have 42 parties in such an area. I think that coalescing into two blocs naturally will lead to the arrangement of forces into that which today is considered to be leftist or rightist. In any case, in the future and for a long time to come the question of the "isolation" of the parties of Albanian origin will remain open. I think that they will not lean toward any one political bloc and this now is only their short-term tactical move.

Uniting the Opposition

[Geroski] The idea of uniting the opposition, of creating some coalition union, convention, or other type of association, has been going around recently. It is publicly known that the opposition parties already are holding conversations between themselves concerning this. What are the prospects for this initiative?

[Georgievski] We already have one such experiment from the period before the last elections, and certainly you know about this. At this time we see that in Macedonia there are several parties that are ideologically close to it. In principle we are for entering into a coalition, and this was one of the conclusions of the last meeting of the Central Committee of VMRO-DPMNE, when the leadership received a mandate for discussions. The basic issue is what the nature of this coalition will be with respect to whether this bloc will be created on an anticommunist basis, if it will be based on a national platform, or if things will stay only at a pragmatic level, which will mean a coalition of parties, the only goal of which will be to pull down the ruling bureaucracy. It is sure that the matter may be set on a purely pragmatic level, but there is the dilemma—what then? I am convinced that such an opposition bloc will be an absolute winner in the future elections, but experience (from Bulgaria, for example) shows that such coalitions quickly fall apart upon victory. Therefore, we will insist that the parties that enter such a coalition will have more points of contact. In addition to the democratic nature of this bloc, it will be particularly important to us that it be of a pronounced national nature, which has been a feature of our party from the very beginning. In any case, in Macedonia the conditions are ready for the creation of an opposition coalition, and VMRO-DPMNE will support the efforts for its creation without worrying whether it will be the chief initiator or not.

[Marjanovic] There is nothing new about the idea of uniting in opposition. The need is unquestionable. The problem is in the proverbial selfishness of our people: Everyone wants to have his own party, to be some kind

of leader, to emerge from anonymity. It seems, therefore, that the authorities are vitally interested in the Macedonian political scene, for certain lilliputian parties multiply in order to divide the Macedonian electorate, which will enable them to remain in power. But it will be hard for a serious person to be able to associate with such quasiparties without fear of disgrace.

The Democracy League is in favor of joining the opposition on a positive note. A priority goal of the association should be the removal from power of the unnatural governing coalition. But that is not why the opposition, by its nature, is "anticommunist." Must I recall how many times up to now I have repeated that the Democracy League is as anticommunist as the communists are antidemocratic? If they were sincerely for democracy, we would not have a basis or reason for being anticommunist. On the other hand, if the communists were able to solve the burning issues in the country, the opposition scarcely, if at all, would be necessary. Yet the fact is, in the meantime, that neither the old nor the new, changed communists are able to solve the problems of the country. The only thing that they know well is how to fill their stomachs and pockets, although to the detriment of Macedonia. Therefore they have to be removed from power as a perniciously destructive structure. And certainly they will be. If they are not capable (and they are not) of making an institutional change in power possible, the workers' dissatisfaction will crush them one day.

Therefore, as a beginning, the opposition parties could combine their efforts for a change in the election model. It seems to me that it is easily possible to reach agreement concerning the need for accepting the proportionality principle in the election law as a condition without which there will be no change in the reestablished distribution of forces in the parliament. But probably I do not have to convince anyone of how sad it would be for Macedonia for this ugly parliament of ours to remain. By the way, these were the motives that led the Democracy League to propose a specific preelection agreement with some of our opposition parties, with whom, however, we have nothing in common. Either the above-mentioned feeling of selfishness, inefficiency, or something else predominated.

[Popovski] The word association perhaps is overambitious. It does not mean a change in the autonomous nature and program authenticity of the political parties. They have to remain as they are. In the meantime the fact is that a large number of parties differ very little in their program principles, and more in their, if I may say so, tactical approaches, often with hypocritical behavior, and so forth. We in MAAK start with the following idea: In the first place we will analyze all political aspects that contribute to the association of the political parties with a fatherland connotation. The list of arguments here is infinite. The association has to agree on three basic issues: first, the preservation of peace in the Republic of Macedonia; second, for earlier elections because this parliament already is not in a position to lead this republic; third, having the opposition parties publish a

single list of the democratic association. However, in order to be able to approach this association, first it is necessary to work out a political platform common for all parties. A competent commission on our part, I am thinking of MAAK, will produce this platform, and we will be open to any valid input. By now we have already been in contact with several political parties, and these questions are being discussed. I am convinced that soon there will even be contacts with PDP [Party for Democratic Prosperity] and the NDP [National Democratic Party]. Here is the absurd thing: If these are already in a coalition, then what would they be looking for in an opposition coalition? Well, we understand this to be at least a tactical move for a more rapid disintegration of the governing coalition.

In addition I will say what I often repeat: MAAK will discuss any other initiative for association. We and our initiative for collecting 150,000 signatures for early elections in practice are counting on a "rewritten" attitude of public opinion in Macedonia. We are only bringing a fact into reality, nothing more. So such a foreign idea as an association is not remote for us. Hopefully such a platform already exists.

Agricultural Policy, Effects Discussed

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[Article by Milosav Ilijin: "A Stick for a Horse"]

[Text] *The effects of the policy of mistreating peasants in defense of the authorities; credit-monetary policy remains the favorite means of manipulating agriculture; the dimensions of the deception expressed by the claim that there is enough food.*

It has become normal that every discussion of the state of agriculture here is linked to but also limited by the "to be or not to be" of the entire economy, but also of the people themselves, and moreover primarily "until" (?) the lifting of the international blockade. There really is no more crucial issue than how to feed a doubled population, counting the refugee population, along with all the effects of the victorious and defeated armies, with an agriculture that has been cut in half; and whether this crowd, which from day to day is joining the growing army of workers who are shifting from unplanned and unpaid annual leave to "millennial leave," can be turned into people employed on the land, into farmers. Furthermore, with all their unpleasantness and seriousness, these issues are still both unavoidable and urgent, just as the daily consumption of food is not a matter of personal mood and decision; and they really have to do with survival, not only "until" but also after the fatal sanctions.

The current circumstances, however, recall that we will make a mistake if we reduce these problems to issues of bare existence, seeking the causes (and solutions) of problems like the above-mentioned ones in the area of (re)distribution (of goods, labor or natural resources),

and thus in the area of changing the production or ownership structure for the sake of "higher production," establishing market relations, etc. If that were so the problems would have been solved a long time ago, or else their surmounting would have at least started to be seen in more successful economic performance and market relations. Specifically, one cannot overlook the fact that in the very approach to solutions for these issues and problems, in the areas indicated, which could otherwise in normal circumstances be the only ones to offer them, a retrograde force aimed at preventing or at least postponing any progressive changes in agriculture has interposed itself. It is the policy of manipulating the masses, through the deception that enough food is being produced and no one has any reason to be afraid of starvation, and on the other hand, through shifting the blame for the situation in a completely opposite direction, from the above-mentioned factor to all other internal and external factors that are actually trying to open up ways for the economy and society to escape the blockade and the crisis. According to one peasant people's deputy in the Serbian National Assembly, it is a policy of mistreating peasants in defense of the authorities, which obviously are not ignoring either peasants' two-thirds share in the electorate, or the urban population's increasingly marked helplessness in the quicksand of inflation and the gray economy.

Blockade Policy

The agriculture minister in the granary republic's government informed the deputies last Wednesday that corn had been gathered from 87 percent of the area sown, and sugar beets from 65 percent, and that "by yesterday" (i.e., in the agrotechnically optimum period) wheat had been sown in 45 percent of the area sown (about 340,000 hectares). Only someone in the auditorium who had not passed through a single rural district, where in any case one can see with the naked eye the minister's big illusion, or those who considered it a politically useful embellishment, could have believed the minister's official data at that time. This is because, no matter how naive it may sound at first glance, such data only reinforce the thesis of "fiat panis," in order to curb the fear that there will not be any bread next year, for the benefit of this nation's infinite vitality.

On the other hand, objectively unsolvable problems are being emphasized, such as the one that the 15 coupons allocated for oil are not enough to cultivate one hectare of land, especially if there is no oil. The republic minister of agriculture publicly recommended that the peasants "cope for themselves," and his prime minister, coming down from the podium, allegedly recommended "that they buy oil on the black market...." Obviously the peasants are not willing to sacrifice themselves through increased personal labor and financially in order to follow those guidelines and confirm the illusions of the state rulers.

The main stumbling block in the tradition of agricultural policy is the credit-monetary area, i.e., the sector of

financing "special purposes," which include most agricultural production. As an instrument in the joint agricultural policy of the former Yugoslavia, that block was challenged and reduced only for the brief period of Ante Markovic's government; it has not only not been removed, but since then it has even become firmly entrenched again; it has become a power base and a means of complete rule over agriculture. There is never enough money for "rediscount loans," and interest rates have never been reduced enough. A specific characteristic of this policy, however, is that as soon as that money comes out of the Topcider printing firm it is difficult and even impossible to trace it, not only within the limits of agriculture, but also outside the entire economy. These days, every day one can see lines of peasants who are waiting for payment for the wheat that they "turned over" in July and August, standing in front of the cashiers' offices at the local agricultural combines authorized to purchase goods on behalf of the sole buyer, the republic commodity reserve; it is "still too early" for sunflower seeds and beets. It has become the rule that before it reaches the hands of the supplier of the goods, this money is "turned over" several times for local priorities and loans to socially owned economic organizations (which are otherwise "equal" with other "forms of ownership"). Scandals like the campaign financing of the victorious party in Vojvodina in 1990 by certain combines, or the case in which money intended for the purchase of wheat, from Montenegro's commodity reserve directorate, got into the hands of a certain auto body mechanic in Niksic, will be forgotten, and the extent to which this money is being used to buy "on the black market" everything that can benefit official political circles, from foreign exchange and oil to every other kind of "embargoed" good, will never be learned.

This multilevel system offers many possibilities for manipulating peasants' mood and attitudes. It has been shown more than once, for example, that the formulation of joint protective policy or the policy of stimulating agricultural production in the federal state, in the form of the federal government's authority to set protective prices for the principal agricultural products, always entails the possibility of the blame for every "delay" or "bias" in setting prices. Thus, the policy of Ante Markovic's cabinet three years ago acquired the adjective "anti-agrarian," and nationalist leaders in the republics that were demanding and promising higher protective prices, bonuses, etc., acquired the attributes of protectors of the peasants, even though they forgot their promises as soon as they made them. They are always resolute in their demand that the federal governments publish their program for enhancing the promotion and protection of agricultural production, but they only need it as an object that they will then reject "in the interest of the farmers" and for the sake of "stable supplies for the population." This also serves them as a means of rejecting any attempt to establish and open a market, and thus to overthrow the initiators of such a policy. The criticism of the federal monetary authority now for "not giving" money to finance the fall sowing is thus the main

means of challenging the anti-inflation program that has just been published, even though it can only have some sense and purpose after the foreign blockade is removed.

In the meantime, however, agriculture is experiencing the consequences of the past policy of robbery, which can be compared with the poet's fancy of an exhausted horse at a waterwheel, which its driver strikes harder and harder with a stick at every new turn....

Time for Survival

In complete dissonance with that, as if from some other time, or for some other time, came the subsequent inauguration of the new federal minister of agriculture and the agricultural policy that he announced, and actually even explained, although he did not bring it closer to fulfillment.

"I will urge that we considerably increase the production of wheat and corn, along with soy beans," stated the former (and present) scientific researcher from the Zemun Farming Institute, Dr. Ratko Lazarevic, in his first meeting with the political public. "In my opinion, we should increase the production of wheat and corn from 700-750 kg to 1,100-1,200 kg per capita, i.e., from about 7.5 to about 12 million tons. That is enough for our needs and for us to export something, and no large investments are necessary for this. We have to intensify this production...."

According to the new minister, in the developed Western countries one farmer produces food for 65 people, but here for only six. In Serbia the average farm is 3.7 hectares, in the developed Western countries about 8 hectares, and in America, 80 hectares.

With scientific dedication, the federal minister calculated that in Hungary and Czechoslovakia two times as much food is produced per hectare of land, in Denmark 4.4 times as much, and in the Netherlands even 10 times as much food as we do here, and in his narrow area of scientific interest, stock breeding, that from every 10 hectares of land we annually get only 4.5 tons of milk, while the Poles have 8.7 tons, the Germans have 13.3, and the Dutch even have 59 tons of milk!

The new federal agriculture minister's praiseworthy intention could be confronted during those same days with the realities in another interview, on the screen of the most widely watched television program: a peasant who was "sorting" wheat for sowing. Asked (with a lecture) whether he didn't know that he would thus have half the yield that he would if he sowed high-quality seed, he said that it did not matter to him, because the seed did not make any difference, and he was only sowing for himself anyway. On his tiny farm (on the average) he intends primarily to produce only for his own needs, and to sell his small surpluses in the green market and in barter among peasants....

Today it is hard to see how this peasant's plan can fit into the minister's great vision. To some extent, he possibly

even designated the course of their "confrontation" when he expressed reservations about the plans to develop stock breeding by financing the purchase of one or two cows on farms, feeling that this "is nothing" compared to the much greater possibilities, and that an attempt should be made to develop large-scale commodity production. We still do not know, however, whether in that vision their role as the "organizers" of production and "the ones responsible" for programs and loans will continue to be retained untouchably by their present "beneficiaries," the agricultural or processing organizations in the socialized sector, through their former monopolistic status, or whether this vision is inspired by the intention of the complete economic transformation of those organizations themselves on an ownership basis, instead of on a political basis as in the past. There is no doubt that even without large new investments the production of many commodities could be increased by better "distribution" of poorly used equipment on many farms, for example. It would especially be possible if that equipment could obtain its real owners in the form of those from whom they were expropriated and accumulated for several decades. This, however, immediately implies that farmers are even motivated to take over that equipment, even though it is returned to them not just to "use" but rather as the true owners, legally capable of exercising unlimited control over it. After several decades of the "Asian syndrome's" antimarket policy, it seems that such motivation, the willingness and capacity for large turnabouts, no longer exists, and that is perhaps the most serious consequence of the former policy.

Obviously, there is too high a threshold for a different agricultural policy that would one day bring agricultural production on our territory closer to the averages of the other countries that the new minister of agriculture took as a model, although this is not a time for remote visions, but rather for survival.

Malfunction of Electric Power System

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[Article by D.N.: "Energy: Small System, Big Problems"]

[Text] Experts have yet to investigate why a considerable number of consumers in Serbia were left without electricity during the afternoon hours on Tuesday, 3 November. Although the interruption was brief and passed without consequences, so to speak, it can easily be determined what happened, but it will be much harder to learn why. At the moment when about 3,000 megawatts of the Serbian electrical industry's installed capacity was in use, which is approximately a third of all the electric power stations, there was a sudden drop in the frequency (quality) of the electricity, which triggered the safety equipment and took out of operation the largest unit in the Obrenovac B system, with a capacity of 600 megawatts. Two 250 megawatt units, and one more at the same location, with a capacity of 600 megawatts, started

to drop out of operation in a chain reaction. Thanks to the intervention of the dispatcher on duty, who disconnected consumers, a more serious disruption and the collapse of the system were prevented. In just seven minutes the first unit at Obrenovac was back in the network, but the people handling distribution needed time to turn everything on again and balance production and consumption. Everything was all right again in just about two hours.

On Wednesday, the total production of electricity was 70.9 million kilowatt-hours, and the day before it was 72.6 million. Consequently, because of the disruption 1.7 million kilowatt-hours were lost, assuming that these two days were similar in the level of production and consumption. Viewed in those terms, this was obviously an almost insignificant episode, but if this disruption is viewed as a warning of a reduced electrical system before the approaching winter, experts will face problems.

Even before this disruption, it was clear that the Federal Republic of Yugoslavia's electrical system was an enigma to experts, especially before the fall and winter. On one hand, as a result of political changes the system has been isolated, both from the former republics of the former Yugoslavia, and from the large European interconnections, and on the other hand, there are no reliable data on the conduct of consumers. Since the present reduced system was neither planned nor built for such a small territory as the one that arose with the creation of the new state, the largest and most economical units of the thermoelectric power stations have become an obstacle and even a danger to regular operation, and problems have also appeared in maintaining quality and keeping reserve electric power plants. At the same time, all the officials are announcing impacts from consumers because of the shortage of oil, gas, and coal, but no one is able to quantify how large the growth in consumption will be and when it will appear.

If one takes into account the overall situation of the Serbian electrical industry, the dilemma was only whether equipment or people would fail first. This public enterprise's trade union has already been announcing a strike for a long time, demanding, in addition to the usual trade union demands regarding the amount and periods for the payment of wages, a warm meal, transportation, and safety at work, that the leadership and the government of Serbia be held responsible for the enterprise's financial situation. The strike has been delayed so far by negotiations with government representatives and the postponement of the prime minister's visit to the largest collective. It appears that the demands will be accepted; promises have been made, and just a few days ago a protocol between the trade union and the government was signed on this. The equipment, however, cannot complain and has no one to complain to, and so it is perhaps better that this warning was solely technical in nature, especially since safety devices are present in the equipment and operate gradually and automatically.

It is worth keeping in mind that the first colder days have just begun, and that there were no unusual circumstances on the day of the disruption, and especially none of the expected impacts on consumption. It is better not to speculate about what would have happened on some

winter day, with severe freezing, snow-covered facilities, and the other problems brought by winter. The warning is thus a timely one; it did not cause major consequences and damages, but it requires serious investigation and undertaking of the necessary measures.

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